

Finance

These finance tools help financial officers of unit, council, and district PTAs gain a better understanding of their responsibilities, keep and maintain accurate records, and exercise proper control of all PTA monies. Sound financial procedure must be a prime concern of the treasurer as well as all officers and chairs.

Although fund-raising is not a Purpose of the PTA, funds must be raised to carry on the work of the organization. Each PTA should raise only the funds necessary to conduct annual activities and projects as outlined in the PTA's adopted budget. Fundraisers should be planned to meet all budget expenditures, including special projects and funds for emergencies.

Remember that providing adequate public school facilities, supplies, and programs is the responsibility of the taxpayers, not the PTA. Public officials must remain responsible for providing each and every student with the resources necessary for an equitable, quality education.

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Policies and Procedures

Fiduciary Responsibilities

The responsibilities of financial officers are specified in the association bylaws and are also established in California State PTA policies and procedures. Additional information can be found in the Finance and Job Descriptions chapters of the Toolkit. The Toolkit can be found on the PTA website, captapta.org.

The treasurer, financial secretary and financial reviewer are generally considered the financial officers. The president, secretary and vice presidents/chairs also have specific financial responsibilities. Every PTA board member has a fiduciary responsibility to:

- ▶ Protect the assets of the organization. These assets include cash, assets, volunteers and the PTA's reputation.
- ▶ Ensure compliance with all laws. These include federal and state laws as well as the policies and procedures of the PTA.
- ▶ Ensure the assets are used to meet the needs of the children and members served by the PTA.
- ▶ Ensure continuity of the association by preserving assets for the future and not encumbering future boards.
- ▶ Ensure the association remains transparent – all the members are given the opportunity to participate in decision making and to view financial reports.
- ▶ Ensure the association is carrying out the purposes of PTA. These include increasing family engagement, advocacy and increasing communications between home and school. Fundraising is not a purpose of PTA, but PTAs may fundraise to provide PTA programs. Councils and districts have an additional purpose, which is to train and support local associations and their officers.

PTA officers/chairs need to understand why they are doing the things they are doing and be committed to doing them correctly and completely.

Signs of Good Financial Procedures

A financially healthy PTA

- ▶ Ensures that only authorized check signers (as specified in the bylaws) are on the bank signature card. Removes previously authorized signers from the signature card whenever a resignation occurs or a new term begins.
- ▶ Prepares and presents monthly treasurer reports, budget-to-actual comparative reports, financial secretary reports, committee reports and financial review reports at board and association meetings.
- ▶ Ensures budget is approved by association, funds are released and expenditures are authorized prior to spending funds.
- ▶ Only pays bills which have been authorized by the executive board or association.

- ▶ Has the bank statements and reconciliations reviewed and signed monthly by a non-check signer; may be the financial reviewer.
- ▶ Conducts at least one financial review annually, in accordance with the bylaws. Semi-annual financial reviews at mid-year and year-end are the best practice. Financial reviews not conducted by a qualified accountant are reviewed by a financial review committee.
- ▶ Files the appropriate IRS Form 990 annually and all state forms required by due date
- ▶ Conducts a membership campaign throughout the year and remits membership funds not belonging to the association monthly. No remittance is made for memberships received through the California State PTA E-membership program. The per capita (membership funds not belonging to the association) for manual members added to the California State PTA E-membership program is remitted through channels.
- ▶ Remits California State PTA insurance premium to the California State PTA insurance broker before December 20th.
- ▶ Completes and submits the Workers' Compensation Annual Payroll Report Form and remits any additional premium to the California State PTA insurance broker no later than January 31st.
- ▶ Ensures all monies are counted by two PTA members, one of whom must be an officer or chair. Cash verification forms are signed by everyone who counts monies. A signed copy of the verification form is kept by each person who participates in the count.
- ▶ Issues a receipt for donations (see Providing Documentation to Donors, and Donation Receipt).
- ▶ Ensures checks, bill payments/electronic funds transfer authorizations and transfers between bank accounts are signed by two authorized check signers.
- ▶ Ensures officers receive training at convention, state, district, and/or council PTA workshops.

Sample Financial Calendar of Activities

(Year-round PTAs adapt accordingly)

UPON ELECTION/MARCH/APRIL

President-elect appoints the budget committee to develop the budget based on proposed PTA programs for the upcoming year.

Treasurer-elect chairs budget committee.

Board-elect adopts preliminary budget.

MAY/JUNE

Present proposed budget for adoption to the current executive board and the membership at the last PTA meeting of the year.

Association approves and releases any funds required prior to the next association meeting in the fall. This allows the board-elect the ability to cover routine summer expenses as outlined in the bylaws.

AUGUST/SEPTEMBER

Re-present budget to association for adoption at its first meeting. Release any funds required prior to the next association meeting.

Present financial review and year-end Annual Financial Report to association. Upload copies of all documents to the document retention system.

Send the first remittance of per capita dues through PTA channels. Send dues as received and at least monthly thereafter. No remittance of E-membership dues.

Through channels: The route of formal communications through the PTA. Typically from unit to council, council to district PTA, district PTA to California State PTA.

OCTOBER

Confirm tax forms for prior fiscal year are filed as required with copies forwarded to council or district as directed (Tax Requirements, Finance Chapter) and uploaded to MYPTEZ. (Contact District PTA for assistance if needed.)

Remit payment for insurance directly to AIM, the California State PTA insurance broker, via the online portal by December 20, or a late fee of \$25 will be assessed by California State PTA.

NOVEMBER/DECEMBER

Send per capita dues through channels. Send dues as received and at least monthly thereafter. No remittance for E-membership dues.

Balance membership totals with council and district membership reports.

Prepare books and financial records for the midyear financial review.

JANUARY

Submit books and financial records for mid-year financial review, as specified in the bylaws.

Present budget versus actual report to the executive board and association and revise budget if necessary.

Ensure that Workers' Compensation form and additional premium, if required, have been submitted to AIM by the appropriate due dates.

FEBRUARY

Send Founders Day freewill offering through channels to district PTA, when collected. The event may be held during a month other than February.

MARCH

Ensure all per capita dues have been forwarded through channels. No remittance for E-membership dues.

Register for convention.

APRIL

Issue convention checks for authorized expenditures for elected delegates, if necessary.

Begin transitioning with newly elected financial officers.

MAY/JUNE

Attend workshops for financial officers, when offered.

Submit books and financial records to outgoing financial reviewer for end-of-term financial review, as stipulated in the bylaws (after close of fiscal year).

Give financial records and materials to the incoming financial officer (except those in financial review).

Assist incoming officers with changing authorized signers at the bank as needed. The treasurer-elect

should contact the bank to determine the requirements for changing authorized signers.

Prepare Annual Financial Report that reflects the fiscal year. Prepare and file tax returns (end of fiscal year) and upload to MYPTEZ. The fiscal year is listed in the bylaws and on previous tax returns. The recommended fiscal year is July 1 to June 30.

Ensure all per capita dues have been forwarded through channels so that there are no financial review exceptions. No remittance for E-membership dues.

Other pertinent dates should be added (or adjusted) to the calendar to meet time frames specific to each PTA and fiscal year.

RECORDS RETENTION AND DESTRUCTION POLICY Model Practices for Districts, Councils and Units

It is very important that certain records be retained. The current letter of determination, the current bylaws and standing rules approved by the state parliamentarian and the articles of incorporation (for incorporated PTAs) should be readily available at all times.

A policy was adopted by the State Board of Directors and Board of Managers November 2016 and meets all applicable state and federal statutes as it relates to document retention and non-profit organizations. This policy is intended as a guide for model practices at the local district, council and unit level.

Purposes of the Policy include (a) retention and maintenance of documents necessary for the proper functioning of local PTA as well as to comply with applicable legal requirements; (b) destruction of documents which no longer need to be retained; and (c) guidance for the Board of Directors (the "Board"), officers, and other constituencies with respect to their responsibilities concerning document retention and destruction.

Please refer to the *Toolkit* online at toolkit.captapta.org for the complete policy recommended for all districts, councils and units.

RETENTION SCHEDULE

PERMANENT STORAGE

Accounting & Finance

- Annual Financial Statements & Financial Review Reports
- Cancelled Checks – special, such as loan repayment
- General Ledger

Contributions/Gifts/Grants

- Contribution Records
- Documents Evidencing Terms of Gifts

Governance

- Articles of Incorporation & Amendments
- Bylaws & Amendments
- Minute Books, including Association, Board & Committee Minutes
- Annual Reports & Returns to State & Federal Agencies

- IRS 990N, 990EZ or 990
- Franchise Tax Board 199N or Form 199
- Attorney General –
 - RRF-1
 - CT-TR-1 (if applicable)
 - Raffle Reports (if applicable)
- Secretary of State SI-100 (if incorporated, filed biennially)
- IRS Rulings
- Licenses and Permits
- Employer Identification Number (EIN) Designation
- Any other correspondence with State or Federal Agencies

Electronic Mail (Email)

- Emails considered important or of lasting significance

Retirement & Pension Records

Insurance

- Property, D&O, Workers' Compensation & General Liability Insurance Policies

Legal Correspondence

10 YEAR STORAGE

- Personnel Records
- Employee Contracts
- Personal Property Leases

7 YEAR STORAGE

- Accounts Payable
- Accounts Receivable
- Bank Statements, Reconciliations & Deposit Slips
- Cancelled Checks – routine
- Credit Card receipts
- Employee/Business Expense Reports/Documents
- Interim Financial Statements
- Grant Records

5 YEAR STORAGE

- Insurance Claims Records

3 YEAR STORAGE

- Conflict/Whistleblower forms

2 YEAR STORAGE

- Hard copy correspondence and internal memoranda – routine matters
- Electronically stored documents – routine matters

12 MONTH STORAGE

- Emails - routine

Commingling of Funds

A PTA is a nonprofit, private organization. To comply with all requirements, regulations and laws, a PTA must handle only those funds over which it has full control. All PTA monies and other assets are the property of the PTA and shall be administered through its own accounts.

A PTA shall not

- Deposit funds from other groups or organizations in the PTA account;

- Deposit PTA funds in a personal account; or
- Deposit PTA funds in school or school district accounts.

For tax reporting and filing purposes, the IRS considers all monies deposited to the PTA account as that PTA's gross receipts, excluding funds forwarded through channels (e.g., per capita dues).

Fiduciary Agreements and Gifts to Schools

PTA programs promoting parent education, home and school cooperation, children's well-being, community betterment, and funding for education must have first priority on PTA funds. However, when a PTA is asked to purchase or provide materials for the local school, it is necessary to follow certain guidelines so that the gift will be acceptable to both the PTA membership and the school district.

When making gifts, a Fiduciary Agreement should be completed by the PTA and signed by all involved showing all parties acknowledge and agree to gift restrictions (Forms Chapter). The Fiduciary Agreement should then be accepted by the school board and recorded in the school board meeting minutes. If a Fiduciary Agreement is not completed, gifts to the school that are accepted by the school district become the property of that district and can be moved or used at any school within the school district.

Certain gifts, such as funding for field trips, enrichment programs, teacher aides, special instructors, books, classroom supplies, or major equipment purchases, require prior approval from the PTA membership, school principal, and school district. Many school districts have policies and regulations on accepting gifts. Be sure to check with the school district **before** purchasing any materials or gifting funds to the school.

PTA members must approve all expenditures of funds, including the amount of monies to be used for gifts to the school, prior to the expenditure of those funds. This approval must come in the form of a motion and vote at a meeting of the membership and must be recorded in the association minutes of the meeting. Since PTA membership is new each year, funds cannot be committed from one year to the next unless funds were raised for a specific purpose and are therefore restricted. One example might be funds raised over three years for a major purchase. If restricted funds are not used for their designated purpose the funds must be returned to the donors or the donors must agree to a new purpose.

A gift to the school should benefit the largest number of students possible. Gifts should be in the form of a donation, presented and accepted by the school board at a school board meeting and recorded in the school board minutes. This ensures the school district will assume responsibility for the liability, maintenance and upkeep of any equipment purchased. Check with the school district to determine whether it is better to donate money for any equipment and have the district purchase the item(s) instead of the PTA purchasing the item(s) and then gifting them to the school.

At the first association meeting following the acceptance of the gift by the school board, a description of what was given to the school district must be noted again, and the date the school board accepted the gift must be recorded in the PTA association minutes.

The school district is subject to fiduciary responsibility. If the school district accepts money or equipment that is given subject to a restriction, then the restriction must be honored or the law will impose personal liability on the officers or trustees of the school district in their individual capacities. It is possible that the law would merely require the refund of the gift not used for the restricted purpose. The law does not do that automatically – there must be a complaint filed with the school district by the donor.

If the school district or any recipient is not willing to honor the restrictions on use which accompany a charitable contribution, then the recipient must decline to accept the gift. There is no duty of any recipient, including a PTA, of an offered charitable gift to actually accept the gift if there is a restriction attached.

Contracts

A contract is a legally enforceable agreement between two or more persons or organizations. All contracts must be approved in advance by the PTA membership and signed by two elected officers, one of whom must be the president.

The appropriate officer/chair must have authorization from the executive board before negotiating a contract. Receive the contract in writing. Understand the terms and conditions of the contract. Have the contract reviewed by legal counsel and/or the California State PTA insurance broker if needed. Ensure that the length of the contract is limited to the current membership year and does not encumber future boards.

All contracts must be approved by the association prior to being signed.

When entering into a contract, the president is responsible for the agreement and should clearly identify that it is the PTA entering into the contract and not the president as an individual. The signatures on a written contract should be formatted as follows: "ABC PTA by Jane Smith, President, 2019-2020."

Signing a contract obligates the PTA to comply with the terms and conditions of the contract and to pay the stated sum. The fact that the activity is not a financial success or that the PTA has insufficient funds to meet its obligation has no effect on the responsibility assumed.

Do not sign a contract that makes the PTA responsible for injury or damages.

Units should check with their local school district before hiring any independent contractor or teacher for a classroom or school site to ensure that school district policies and procedures are followed. Independent contractors must provide current certificates of insurance, which the PTA must retain in its files. Directors, teachers, or instructors hired as independent contractors must carry their own general liability insurance and Workers' Compensation Insurance.

Hold Harmless Agreement

A Hold Harmless Agreement means that the signer assumes total liability for a facility while the signer is using it. Many school district Facility Use Permits include a Hold Harmless Agreement which, if signed, would mean that the PTA assumes the total liability for that facility during PTA's usage, whether the cause of an injury or accident is due to anything under the control of the PTA or not. If the school district requires the PTA to sign a Hold Harmless Agreement for use of school premises, the PTA should contact the California State PTA insurance broker first. The insurance broker may then direct the signing of a Facilities Use Permit Addendum (Forms Chapter).

PTA is required to obtain a Hold Harmless Agreement and Evidence of Insurance from each vendor, concessionaire, or service provider who is used. Instead of providing Evidence of Insurance to each individual unit, the vendor, concessionaire, or service provider may file an annual copy of coverage with the California State PTA insurance broker.

A list of vendors, concessionaires, or service providers who have Evidence of Insurance on file with the California State PTA insurance broker is available on the insurance broker's website. (See the California State PTA Insurance Guide for website information.) These vendors, concessionaires, and service providers do not need to sign the Hold Harmless Agreement or provide a copy of their insurance if the policy has not expired. If the date on the list has expired, call the California State PTA insurance broker.

In a Hold Harmless Agreement, the signing party assumes responsibility for all acts and all liability for any injuries that occur related to an event (Hold Harmless Agreement, Forms Chapter).

Miscellaneous Operating Information

Special Request for Professional Opinion

In circumstances where professional, expert advice is requested due to a unique situation in a unit, council or district PTA, California State PTA will contact the appropriate professional provider, as needed. Charges/fees incurred will be billed to the appropriate PTA benefiting from the advice.

For questions about PTA's liability coverage, contact your district PTA. See the *Insurance Guide* for the contact telephone and website address of the insurance broker. The responsibility for interpretation of the liability policy is assumed by the insurance broker.

PTA-Provided Babysitting Services

These guidelines shall apply to all babysitters, whether paid or volunteer. Babysitting services are exempt from licensing by the State Department of Social Services, since such services are defined as being provided when

a parent/guardian is on the premises; e.g., children being tended in the same building as the association meeting being attended by parents. Babysitting services must be provided by two unrelated persons 18 or over for parents engaged in PTA-sponsored volunteer activities or parents who are attending a PTA meeting.

All babysitters paid by the PTA must be listed on the Workers' Compensation Annual Payroll Report form filed by each PTA and submitted to AIM no later than January 31 of each year. Treasurers must ensure that records of such payments are kept current, both for the PTA's records and to facilitate completing the required Workers' Compensation Annual Payroll Report.

State law mandates that "every employer shall establish, implement and maintain an effective injury and illness prevention program." Any PTA that pays wages directly to an individual must comply with this state law.

The PTA may charge a reasonable fee for babysitting services.

For more information on the noncommercial policy see Bylaws for Local PTA/PTSA Units, Article III, a. and b.

It is important to note that the PTA, PTA officers, board-members, and all volunteers involved in a PTA event/activity where babysitting is provided are covered under the PTA provided liability insurance. Paid babysitters are considered independent contractors and are not covered by the PTA liability insurance if sued personally.

Insurance Requirements

Guidelines for babysitters:

There are at least two unrelated persons 18 or over in attendance at all times.

Children are kept in a safe environment:

- If outdoors – in an enclosed playground.
- If indoors – in a room with safe, age-appropriate toys.
- Bathroom facilities should be nearby.

Child: adult ratios are not exceeded:

- 0 to 5 years of age, 10 children to 2 adults; 1 additional person, high school age or older, for 11-15 children, and so forth.
- 6 to 10 years of age, 14 children to 2 adults; 1 additional person, high school age or older, for 15-28 children, and so forth.

A babysitter shall not change any diapers. A parent should be called to perform this task.

Handling Requests for Relief Assistance

PTAs are often asked to provide assistance with the coordination of relief activities when a disaster strikes or personal tragedy occurs in a community. While PTA may appear to be a logical association to provide this coordination, PTAs are prohibited from making personal gifts to a specified family or individual. A PTA may not collect and disburse funds for the benefit of specified

families or individuals. A PTA's EIN may not be used for the establishment or maintenance of any financial account designated for the benefit of specified families or individuals. The IRS may impose penalties if these rules are not observed.

Unit, council and district PTAs may participate in community relief efforts by making a monetary donation to a relief organization recognized by the IRS as a 501(c)(3) organization. Organizations such as the American Red Cross, the Salvation Army, and United Way handle donations for relief efforts under benevolent fund procedures, which means that funds are received for disbursement to a broad class of potential recipients. These organizations may not accept funds for a specific family or individual.

In order for PTA funds to be donated, PTA financial procedures must be followed. The membership is the only body authorized to approve, or ratify, the donation to another 501(c)(3) organization. The approval of the donation must appear in the minutes of a meeting of the association.

PTAs may participate in disaster relief efforts by

- Encouraging members to make personal donations to a relief organization of individual choice;
- Encouraging members to volunteer to assist at a location providing services to disaster victims;
- Providing information on local blood-drive locations;
- Providing information about other relief efforts in the community;

PTAs may participate in personal tragedy relief efforts by

- Working to locate another agency or organization that may handle donated funds to benefit the affected family or individual;
- Offering to meet with other community leaders to arrange with a local bank for the establishment of a special account to handle donated funds (Cannot use PTA EIN).
- Providing information about benefit or relief efforts in the community.

School Bond and Other Ballot Measure Campaigns

A PTA may spend a portion of its funds on election issues that have an impact on the education, health, or well-being of children and youth (Legal Guidelines for Campaign Activity).

A PTA may assist in raising funds or soliciting individual donations for coalitions or election-issue campaign organizations without reporting the amounts as PTA income, provided that all donations are strictly voluntary, and the funds are given directly to the campaign organizations and not funneled through the PTA. Donations must not be made payable to PTA and may not be deposited in any PTA account.

Financial Officers

Financial officers are elected to manage the fiscal operations of the unit, council and district PTA. These officers include a treasurer (required) and a financial secretary (optional). All unit, council and district PTAs are required to have a financial reviewer who may be elected, appointed, or hired in accordance with bylaws. Job duties are detailed in the PTA bylaws, standing rules and job descriptions – consult these for further information.

Upon assuming office, the incoming treasurer obtains the following from the outgoing treasurer: all PTA-owned supplies, ledger, checkbook, tax records, financial review copies, back up copy, master copy or login information for the accounting program if the books are maintained on a computer, and all other treasurer materials including the procedure book from the previous office holder. Additional records may be obtained from the bank and supplies can be purchased from the California State PTA store. The new treasurer must also contact the bank and arrange for new signature cards for checking and savings accounts to be filed. Banks require minutes of the election meeting recording names of new officers. The incoming treasurer should contact the PTA's bank to determine what records are needed and the specific process required to change signers.

The items listed above are necessary for the financial operation of the association. When a new unit is established, the treasurer should request assistance from council or district PTA in obtaining them.

The outgoing treasurer cannot pay bills after the books are closed for financial review or after the term has ended. Books being financially reviewed may not be available immediately. California State PTA recommends that if the financial review is not completed within two (2) weeks after the end of the term of office, the president may appoint a committee to immediately review the books. The same time frame must be followed for the optional semiannual financial review. Upon assuming office, the incoming treasurer may pay authorized bills and deposit funds in the PTA bank account before the financial review is completed, but should avoid paying new bills if possible until the review is complete.

Treasurer Duties

Keep permanent books of account and records that shall be sufficient to establish the association's gross income, receipts and disbursements of the association, including specifically the number of members, the dues collected from the members and amount of dues remitted through channels to California State PTA. Such books of account and records shall at all reasonable times be open to inspection by an authorized representative of California State PTA.

Chair the budget committee and prepare the budget for adoption by the association (see Developing the Budget,).

Contact the bank to update all checking and savings account signature cards on file with the bank immediately upon taking office.

Receive all monies from the financial secretary or from other volunteers counting monies received. (The person turning monies over to the treasurer shall keep a copy of the Cash Verification Form signed by the treasurer.)

Deposit all monies immediately in the name of the association in a bank approved by the executive board.

Receive and retain a copy of the deposit slip for any deposit made.

Pay all bills as authorized by the executive board or the association upon receipt of payment authorization signed by the recording secretary and the president.

Secure two signatures on all checks and electronic transactions (i.e. debit, ACH/EFT or bank bill pay processing). Including the president and treasurer, any two elected officers are authorized to sign, with the exception of the secretary and financial reviewer. The authorized signers shall not be related by blood or marriage or reside in the same household. Refer to bylaws to determine who is authorized within the unit, council or district PTA.

Maintain checkbook register(s) showing all transactions as they occur, so that account balances shown are current.

Keep an accurate record of receipts and disbursements in a **ledger**, which is a permanent record of the PTA (Records Retention Schedule).

Reconcile bank statements with the ledger monthly. Ensure that statements and reconciliations are reviewed and signed monthly by a non-check signer.

Keep the membership informed of expenditures as they relate to the budget adopted by the association.

Remit all council, district, State and National portions of per capita dues monthly to the financial officer of the council/district (see Unit Remittance Form; Membership Dues). Care should be made in calculating membership per capita forwarded through channels; once submitted, the funds are non-refundable and will not be credited for a future year. No remittance is made for memberships received through the California State PTA E-membership program. Council, district, State and National portions of per capita dues for members uploaded to the California State PTA E-membership program ("manual members") must be forwarded through channels monthly.

Prepare and present a Treasurer's Report at every meeting of the association and executive board and at other times when requested by the association.

Complete and forward a copy through channels all necessary report forms required by California State PTA for insurance, and file all tax returns and other forms required by government agencies (Tax Requirements) and upload same to the document retention system.

Present a year-end Annual Financial Report to the association that includes gross receipts and disbursements for the year.

Prepare a comparative budget versus actual revenues and expenditures report at least quarterly.

Upload adopted budgets, annual financial reports, financial review reports (including financial review

checklists and recommendations), and tax returns to the document retention system, and forward a copy of each report through channels (to council or district if not in council).

Maintain continuous and direct communication with the president regarding finances. Advise board members of the status of the treasury and their individual budgets.

Budget for proposed programs with information provided by the program committee chair.

Be aware of due dates for all financial transactions.

Prepare for the year-end financial review.

If the PTA is using the California State PTA E-membership program, make sure that the bank owner is current.

Attend the California State PTA convention finance workshops.

Attend council and district PTA workshops and trainings, when scheduled.

If the PTA has a bulk mail permit, verify funds are maintained in the account.

Assist financial reviewer to become familiar with the record-keeping system.

Use a **ledger** (Forms Chapter) to track association receipts and disbursements.

For more information on Treasurer's Duties, see the Job Descriptions Chapter of the Toolkit.

Advise all board members of the date the books will close for financial review so that they can turn in all outstanding expenses before that date.

Financial Secretary Duties

When there is no financial secretary, these duties may be assigned to the treasurer or another officer.

Give a receipt for all monies received for the association and remit at once to the treasurer or deposit immediately in a bank approved by the executive board. Give a copy of the deposit slip to the treasurer.

Keep an accurate record of all receipts and payment authorizations for the treasurer's financial records.

Prepare all payment authorizations as approved by the executive board or the association (if required by the bylaws).

Prepare and present a Financial Secretary's Report at association and executive board meetings and at other times when requested by the association. The report must include an accurate record of all receipts, deposits and authorizations for payment.

Report all funds deposited to the treasurer. These totals shall be included in the Annual Financial Report to the association.

Perform such other duties as may be delegated to the financial secretary by the president or treasurer.

Attend the California State PTA convention finance workshops.

Attend council or district PTA workshops and trainings, when scheduled.

For more information on Financial Secretary's Duties, see the Job Descriptions Chapter of the Toolkit.

Financial Reviewer Duties

Review the financial records of the association at least annually, upon resignation of the treasurer, financial secretary or any check signer, or at any other time deemed necessary. Best practice is to review the financial records of the association semi-annually, at fiscal mid-year and year-end.

Ensure the completed financial review is presented to a financial review committee, if required.

Prepare and present written reports for adoption by the association.

The outgoing financial reviewer is responsible for conducting the financial review at the end of the term of office. California State PTA recommends that if the financial review is not completed within two (2) weeks after the completion of the term of office, the president may appoint a committee to immediately review the books. The same time frame must be followed for the optional semiannual financial review.

Review and sign monthly bank statements and reconciliations. (These duties may be assigned to any other non-check signing officer.)

Work with the treasurer to understand the record-keeping system.

For more information on Financial Reviewer's Duties, see the [Job Descriptions Chapter of the Toolkit](#).

President Financial Duties

Sign all authorizations for payment and may sign checks as approved by the executive board or the association.

Remind officers of their financial duties as needed.

Contact the council (if in council) or district PTA if you need answers to any questions or whenever you need help and when procedures are not being followed.

Coordinate with the treasurer to get bank signature cards changed as needed.

Appoint a budget committee upon election of officers. The president should be a member of the budget committee.

Give financial officers all materials pertaining to financial procedures and due dates, as received from council (if in council), district, State and National PTAs.

Encourage officers to attend any workshops and/or conferences given by the council, district or California State PTA.

Have all contracts and/or legally binding documents approved by the executive board and the association before signing with another elected officer.

Notify treasurer of the amount of the insurance premium due.

Include financial due dates on the association calendar.

Secretary Financial Duties

Sign all authorizations for payment.

Record financial reports in, and attach to, the minutes.

Record motions to adopt financial review reports, budgets, the annual financial report, and check ratifications in the minutes.

Record other financial motions such as budget adjustments, authorizations and releases of funds.

Vice President/Chair Financial Duties

Meet with committee to develop plan of work that supports PTA's goal(s) and nonprofit purposes and meets insurance requirements.

Present committee's plan of work to the executive board for approval.

Request release of funds before implementing plans or spending PTA funds.

Work with president to have all contracts and/or legally binding documents approved by the executive board and the association prior to being signed by the president and one other elected officer (see Contracts).

Follow all PTA financial procedures (see Budgeting and Fundraising, Income, Expenditures, Financing Programs at the School).

Monitor expenditures to ensure they do not exceed authorized amounts.

Prepare committee report for each activity that includes income, expenses and volunteer hours.

Financial Officer Transition

Financial records should be put in order for the financial review process shortly before the end of the term of office. The financial review must be completed after the end of the fiscal year bank statement has been reconciled, and as quickly as possible. The outgoing treasurer cannot pay bills after the books are closed for financial review or after the term of office ends. Upon assuming office, the incoming treasurer may deposit funds in the PTA bank account and pay authorized requests for reimbursement bills as needed but should avoid paying new bills if possible until the review is complete and the association adopts the new fiscal year budget.

The outgoing treasurer is responsible for preparing the Annual Financial Report, ensuring all tax forms are filed, uploading financial reports and tax returns to the document retention system, preparing a Treasurer's Report from the last association meeting to the end of the term, and compiling a list of payments made between January 1 and June 30 that are subject to 1099 and Workers' Compensation reporting. See [Records Retention Schedule and Destruction Policy](#) and destroy any records that do not need to be retained.

Records, Reports and Forms

Contents of the Treasurer's Records

Complete treasurer's records should contain the following:

- Financial reviewer's reports, checklists and recommendations for current and one prior year
- Budget and budget versus actuals reports and updates
- Bylaws and standing rules
- Calendar of important due dates (i.e. membership per capita submissions, tax filing, insurance premium payment, Workers' Compensation Annual Payroll Report)
- Certificate of Insurance
- Copy of Insurance Guide
- Contact information for council or district treasurer and other officers
- Copy of current Letter of Determination for Tax Exemption
- Correspondence
- District-specific information
- Employee records, current
- Federal Employer Identification Number (EIN)
- Copies of tax filings
- Information sheet listing the name, address and phone number of all financial institutions used, along with any passwords and information pertaining to computerized records.
- Corporate number, if applicable; California State Franchise Tax Board entity number, and Attorney General Charitable tax number.
- Annual financial reports
- Monthly financial reports (including treasurer's reports and financial secretary's reports)
- Financial ledger (may be kept electronically) and checkbook register(s)
- Remittance forms to council and/or district PTAs
- Workers' Compensation Annual Payroll Report
- California State PTA Toolkit, Finance, and Forms, and Job Descriptions
- Recommendations for successor

When there is no financial secretary, complete treasurer's records also include:

- Bank statements and reconciliations (reviewed and signed by non-check signer)
- Completed Cash Verification Forms with supporting documentation and bank deposit slips attached
- Completed Payment Authorization Forms with receipts attached
- Completed EFT/Bank Bill Payment Authorization Forms with supporting documentation attached
- Completed Authorizations to Transfer Funds Between Accounts with supporting documentation attached
- Voided checks

For each bank account, record in a secure location the account number, place of deposit, and elected officers authorized to sign on the account. If a manual ledger is used, write inside the front cover of the treasurer's book. Keep the checkbook in a safe place. Ensure that the secretary records the elected officers authorized to sign on the account in the minutes of the association election meeting or whenever the executive board fills a vacant position.

All supplies listed below are legitimate PTA expenses, reimbursable upon approval of the executive board.

Bank Deposit Book

Bank Deposit Slips

Checks: Imprinted with the legal name of association, address, two signature lines, and the following wording: "Void if not cashed within 90 days" and "Two signatures required."

Deposit Stamp: Includes "For Deposit Only," name of PTA and account number.

File or Envelope: For filing bills and receipts.

Locking Money Box or Safe: For temporary holding of cash.

Numbered Receipt Book: A numbered invoice book may also be useful.

Portable File or Binder: To hold treasurer's current records.

Storage Box: To hold treasurer's records not in current use. Review the Records Retention and Destruction Policy, and destroy records that no longer need to be retained.

Treasurer's Book (Ledger Book): Used to keep track of all transactions (Ledger Sample, Forms Chapter). May be kept electronically instead.

Payment Authorization/Request for Reimbursement Forms: Written requests for an expenditure or reimbursement (Payment Authorization/Request for Reimbursement, Fig. F-9 or Forms Chapter).

Cash Verification Forms: Used by at least two PTA members when counting monies to verify cash and checks received.

Accounting/Financial Software: Maybe purchased outright or licensed yearly.

USB/Flash Drives: To store backup copies of financial records and documents and/or transfer files to successors.

Computer-Generated Financial Records

Financial records may be kept on a computer, or be web-based such as MYPTEZ, providing PTA procedures are followed and a backup copy of all electronic records is maintained. It is strongly recommended that a monthly printed record is kept in a permanent binder. The supporting documents for computer-based accounting systems are the same as for manual systems; only the process for recording transactions is different. Sample financial reports are listed as Figures

in the Forms Chapter of the Toolkit. All of the elements in the sample forms must be reflected in any computer-generated report used by the association.

Before using a computer consider the following:

- The records must be such that the next financial officer will be able to continue with the record-keeping on the same computer program, a compatible computer program, or by hand.
- The PTA must purchase/license the financial program to be used, so future financial officers will have access to the program.
- The association must agree on software used.
- All ledgers, check registers, cash disbursements, and other yearlong registers need to be bound together for storage. Refer to the records retention schedule.

Guidelines for Computer Use

Computer-generated financial records must be saved to a backup external storage device (e.g., flash drive or the most current form of data storage available) containing only PTA financial records whenever updated.

Each report generated must show the title and time period covered.

If an error is discovered prior to presenting a report, it may be corrected at that time.

If an error is discovered after the report/file has been presented, correct it by a journal entry, using the current date, adding an explanation. (If printed copies have been distributed, corrected copies with an explanation must be distributed at the next meeting.)

A hard copy of the electronic ledger should be printed on a monthly basis and maintained with the treasurer's records.

Maintain a checkbook register with the current balance at all times. This may be manual or computerized.

In preparing the financial records for financial review, the same procedures are followed as with records kept by hand. Ledgers, reports, deposit slips, bills, minutes, authorizations, and other records are submitted to the financial reviewer, establishing a clear "financial review trail" of the financial transactions of the association.

When financial records are kept on a computer, the following must be added to the permanent records of the PTA:

- An information sheet listing all financial institution or bank account names and numbers;
- An information sheet providing the name and version of the software program used, including usernames and passwords if applicable, and
- Backup copies, flash drive(s) (or the most current form of data storage available) of financial files.

Budget

The budget is a financial representation of the goals, activities and operations a PTA expects to conduct during a specified period. The budget estimates income and expenses for the year and must be presented to the association for approval and recorded in the association minutes. The budget must coincide with the term of office, which is usually also the association's fiscal year. (See Budgeting and Fundraising.)

See Budget (Sample).

Treasurer's Report

A monthly report for each bank account must include

- balances at the beginning and end of the period covered;
- amounts credited to the general fund and any special funds, separated by PTA income belonging to the association and PTA income NOT belonging to the association;
- receipts and disbursements with a detailed written report, separated by PTA expenses belonging to the association and PTA expenses NOT belonging to the association;
- the report must be posted and/or distributed. Copies of the report must be provided to the president and secretary. Information provided should be included in the minutes or attached to the minutes.

The Treasurer's Reports are created in two distinct sets – one covering the periods from association meeting to association meeting, and the other covering the period from executive board meeting to the next executive board meeting. The end date for the report should be just before the date of the meeting so that the information is as accurate and up-to-date as possible.

NOTE: Any account owned by the PTA to which deposits are made or from which payments are made is considered a "bank account" and requires a monthly treasurer's report. This includes PayPal, Stripe, Square, and other financial processing accounts.

The Monthly Treasurer's Report includes: balances at the beginning and end of the period covered; amounts credited to the general fund and any special funds; and receipts and disbursements with separate sections for amounts belonging to the PTA and amounts NOT belonging to the PTA with a detailed written report posted and/or distributed. Copies of the report must be provided to the president and secretary and added to the treasurer's records.

See Treasurer's Report (Sample).

Financial Secretary's Report

A monthly report must reflect the duties of a financial secretary, as assigned in the bylaws, and must include

- itemized listing of receipts;
- itemized listing of deposits; and

- itemized listing of Authorizations for Payment (if assigned that responsibility).

See Financial Secretary's Report.

Financial Reviewer's Report

A written Financial Reviewer's Report must be presented to the executive board and association after the books and financial records of the association have been financially reviewed. A Financial Review Checklist and separate Financial Review Report page is required for each account. A report detailing findings and recommendations makes up the third component of a financial review. If all is in order, the financial reviewer or financial review committee prepares a report, and the financial reviewer or each member of the committee signs it.

A report must also be submitted by the financial reviewer or financial review committee in the event that there are not adequate records available to conduct a proper accounting of the association funds. The financial review report must be officially adopted by the association and uploaded to the document retention system (Financial Review Report).

If the financial review is not conducted by a qualified accountant, a financial review committee must examine the financial review and sign the financial review report prior to the financial review report being presented to the executive board and association. A qualified financial reviewer is defined as someone who has been trained/licensed to conduct audits and/or review accounting records, such as a Public Accountant or Certified Public Accountant (CPA). They do not need to be currently employed in the field.

See Financial Review Report and Financial Checklist.

Annual Financial Report

The Annual Financial Report reports gross receipts and disbursements for the fiscal year and has separate sections for amounts belonging to the association and amounts NOT belonging to the association. The report is distributed to the executive board, to the membership, and may be required by federal and state agencies. Copies of these reports must also be uploaded to the document retention system, as required in the bylaws.

If the fiscal year is different from the budget year, a financial report showing all the gross receipts and disbursements for that annual period must also be produced.

See Annual Financial Report (Sample).

Unit Remittance Form

The Unit Remittance Form accompanies all per capita dues, insurance late fees, freewill offerings and other payments submitted through channels. Most of these payments will be remitted by the district PTA to the California State PTA office.

See Unit Remittance Form.

Cash Verification Form

Detailed records of monies received by the association are required. The cash verification form provides written proof that association funds were counted by at least two members, one of whom is an officer or the committee chair. Copies of the signed forms must be kept by all counters listed on the form.

See Cash Verification Form.

Payment Authorization/Request for Reimbursement Form

A written request for payment of an expenditure or reimbursement is required. The bottom of the form records the date the expenditure was authorized in the minutes and is signed by the president and secretary.

See Payment Authorization/Request for Reimbursement.

Workers' Compensation Annual Payroll Report

All unit, council and district PTAs must file a Workers' Compensation Annual Payroll Report, even if no one was paid. Reports must be submitted to AIM no later than January 31. The report covers payments to workers made from January 5 through January 4. The previous treasurer should have compiled a list of payments made from January to the end of the term for the current treasurer to use in preparing this annual report.

If no one was employed during the report period, complete the information as requested and check the box "no one paid".

If workers were paid (even for one hour), report the name of the worker, specific type of work performed, date worked, amount paid and whether the worker carried personal Workers' Compensation insurance.

- If the PTA does not pay the worker directly but donates the money to the school, do not list the worker.
- Individuals paid directly, including employees and independent contractors, are considered to be hired by the PTA and must be listed on this form (PTA as an Employer).
- If independent contractors have their own Workers' Compensation insurance, they are listed with wages shown as "\$0" and a copy of their certificate of insurance must be included with the form. The association will not pay any additional premium for independent contractors who have their own Worker's Compensation insurance.
- Worker's Compensation insurance is NOT the same as general liability insurance. If an independent contractor does not have their own workers' compensation insurance, wages paid to them must be

included on the Workers' Compensation Annual Payroll Report.

You must be specific about what type of work is performed (see Sample Workers' Compensation Annual Payroll Report). Some examples:

- Babysitters must be listed on this form when paid by the PTA (PTA-Provided Babysitting Services).
- Off-duty policemen hired by PTA, with payment made by the PTA directly to the officer, must be listed on this form.
- Individuals such as technology aides paid by a school district or other employer are NOT considered to be hired by the PTA and are not listed on this form.
- Individuals such as technology aides paid by a PTA as independent contractors ARE considered to be hired by the PTA and ARE listed on this form.
- Individuals paid by the PTA and the PTA has filed any employment report ARE considered to be hired by the PTA and ARE listed on this form.
- Payments to police departments or security agencies for security personnel are not included, if the persons were salaried by the department or agency during the period of service to the PTA.

Banking

Each PTA must maintain a checking account in the name of the association. Use the PTA permanent address, usually the school. Use checks imprinted with the legal name and address of the association, two lines for the two authorized signatures, and the statements, "Void if not cashed within 90 days," and, "Two signatures required." Bank statements should be mailed to the legal address of the association. In most cases, this is a school or school district office; it is never the home address of a signer on the bank account.

At least three elected officers, two of whom must be the president and the treasurer, shall be approved to sign checks and have their signatures on file at the bank. The authorized check signers must not be related by blood or marriage or reside in the same household. Refer to PTA bylaws for authorized check signers.

A student may be a signatory on a PTA/PTSA account, as long as he/she is an elected officer of the association, it has been noted in the minutes of the association, and it complies with bank regulations. Contact the bank with questions about this issue.

Ask the bank to include both the legal name "PTA California Congress of Parents, Teachers and Students, Inc." and the unique name of the unit on the account. This allows checks to be written to either name and deposited in the same account.

Do not sign blank checks. Do not pay bills with cash or ATM cards.

Most banks do not verify a second signature received on PTA checks. A PTA can:

- vote to change to a bank that does enforce the multi-signature requirement for all PTA/PTSA checks.
- continue banking at the same bank and continue to use two signatures on the checks as outlined in the bylaws and monitor this through financial reviews and monthly review of the bank statement.

All money must be deposited in accounts at a bank approved by the executive board. The association Employer Identification Number (EIN) must be on all accounts. The EIN number can be found in the bylaws. Contact the council, district PTA or California State PTA for assistance if the PTA's EIN cannot be located.

As of February 2025, any debit card issued must be issued in accordance with the Debit and Bank Card Policy< the executive board must verify that all policies are followed and that only authorized bank signatories have access to the card. The IRS considers all funds in PTA accounts to belong to the association regardless of source. A PTA may handle only those funds over which it has full control, and the total amount (less per capita dues forwarded to the next level PTA) must be declared as gross income to the PTA. All funds in the PTA account(s) must have association approval for disbursement.

Bank Statements

PTA bank statements should be sent to the PTA's permanent address, usually the school. Statements should never be sent to the home address of a check-signing officer.

Most banks will prepare and mail bank statements monthly on the date requested by the PTA. When establishing the statement date, take into consideration the timing of executive board and association meetings. While the bank statement should be used to help create the Treasurer's Report, it may be necessary to include on the Treasurer's Report income received and checks written after the most current bank statement date. The end date for each Treasurer's Report should be just before the date of the meeting so that the information given to the executive board and/or association is as accurate and up-to-date as possible.

If a physical bank statement cannot be mailed to the school site, a non-check signer, usually the financial reviewer, should be added as view only person on the bank account. They can review the statement online and then sign a downloaded copy PDF of the statement.

Try to use a bank that returns canceled checks or provides copies with the bank statements. This will facilitate the financial review process. If canceled checks are not returned, the bank must provide photocopies or copies that may be printed from online access. If the cost of obtaining a paper bank statement is cost prohibitive for the PTA, a non-check signer may print the statement from the PTA's online access. If electronic statements are available, a copy should be sent to the elected officer who is reviewing the bank statement monthly.

Another elected officer who does not sign checks (often the financial reviewer) must open, review, sign and date the bank statements prior to presentation to the treasurer for reconciliation. Using the treasurer's financial reports, minutes and the bank statement, conduct a five minute financial review.

Five-Minute Financial Review Procedure

Step 1: Look at the checks. Verify

- Two signatures on every check
- Payee, amount and date match the treasurer's report
- Purpose of payment is included in the check's note section

Step 2: Look at the deposits. Verify

- Date and amount match the treasurer's report
- Deposits have been timely

Step 3: Review electronic transactions (deposits, debits, ACH/EFT, bank bill pay). Verify

- Electronic payments and deposits recorded on the treasurer's report
- Electronic payment transactions are pre-authorized and documented in minutes
- Electronic payment transaction payee and payment amount match the pre-authorization in minutes and the treasurer's

Step 4: Assure no cash withdrawals or cash back transactions have been made.

Step 5: Reconcile the bank statement to the treasurer's report.

- Make adjustments for checks that have not cleared and deposits not shown.

Step 6: If necessary, contact the treasurer to determine the source of any errors. Corrections, if required, are included in the next treasurer's report. Report findings, if any, to unit president, treasurer and financial reviewer (if the reviewer isn't the financial reviewer).

The five-minute financial review will not reveal that the treasurer allocated income incorrectly, but it will point out that a deposit showing on the treasurer's report didn't actually make it to the bank or that a check cashed by the bank didn't show up on the treasurer's report. If this happens, ask more questions and investigate further.

Reconciling Bank Statements

The treasurer should reconcile the monthly bank statement(s) and compare with the check stub/register balance promptly to ensure that bank and financial records are correct. Identify differences, note outstanding checks and determine the adjusted bank balance at the end of the month. This establishes the funds available against which checks may be written.

After reconciliation, file all supporting receipts, details of deposits, canceled checks in numerical order and duplicate deposit slips. Make notations in the check register of all cleared checks, not any uncashed checks, and indicate that the account was reconciled. Provide a copy of the reconciliation, along with the bank statement(s) to the financial reviewer or other non-check signer for review. The officer reviewing the reconciliation should sign and date the reconciliation and return it to the treasurer. The treasurer shall place the reconciliation, bank statement(s), and all other items listed above on file for financial review.

Outstanding Checks

Watch for checks that do not clear the bank within a reasonable time (about 30-45 days) and investigate. If an uncashed check is lost, a stop payment may be placed with the bank and a new check issued. The bank may charge a fee for a stop payment. If, after investigation, a check still has not cleared and it is 90 days after issue, void the uncashed check. (See Stale Dated Checks)

Deposits

Prepare deposit slips in duplicate or make a copy, with the original for the bank and the duplicate for the treasurer's records. Follow the bank's directions when recording the checks on the deposit slip. Some banks require listing the bank numbers for each check; some accept an adding machine tape or computer printout of the check amounts and totals.

Checks should be marked "For Deposit Only" with the PTA account number. A stamp with this information may be secured at the time the bank account is opened. Enter deposit amount in check register. Roll coins as directed by the bank. Attach a copy of the deposit slip to the Cash Verification Form (Fig. F-8 or Forms Chapter).

Before depositing checks, make copies to accompany the deposit record and to assist with the collection of non-sufficient funds (NSF) checks. Remember that financial officers have a fiduciary responsibility to protect sensitive and confidential information. Copies of deposited checks should be shredded after the financial review has been completed.

Debit and Credit Cards

Bank debit cards may be used for purchases when the **pre-approval** expense authorization process is followed. **Only elected officers designated as check-signers in the unit, council, or district bylaws may have or use debit cards issued by the banking institution. Only debit cards issued by the banking institution may be used (no store-issued debit)**

Debit cards may be used for pre-approved expenditures only, and cannot be used for cash withdrawals of any kind (including pre-approved advances or cash back from approved expenditures) to ensure the two-signature rule is still observed and adhered to. Cash withdrawals over the counter or via debit card use raise red flags for financial reviewers and are a sign of potential financial mismanagement.

Unit and council PTA credit cards are NOT allowed for any reason.

Use of a PTA debit card must be tightly controlled by the PTA:

- Cards are issued to elected and authorized signers on the bank account **only** and must include the name of the PTA (appointed members of the board may not be added to the bank account and may not be issued or use debit cards).
- Direct cash transactions (ATM, cash back, etc.) are prohibited.
- The intended expense must be authorized **prior to** the use of the debit card, and the actual intention to use the debit card for the expense **must be included in the motion** for the expenditure (E.g.: "Susie Smith moves to approve the purchase of three Convention registrations at \$249 each, for a total of \$747, **to be purchased using the Sunshine PTA debit card.**"). The motion must be recorded in the minutes.
- An "Authorization for Payment via Electronic Services" form signed by two authorized check signers (as per the bylaws) must be submitted to the treasurer with documentation (receipts) for the debit transaction.
- All debit card transactions must be accounted for and reported in the monthly treasurer's reports.
- The monthly bank statement review must be completed to ensure that no unauthorized transactions are processed against the PTA's bank account with the debit card. The monthly bank statement review is required by the California State PTA insurance provider.
- Only elected officers designated as signers (as indicated in the unit bylaws) may be issued or use debit cards.
- A change in authorized signers on the checking account (e.g.: transition of officers for a new term, or the resignation and replacement of a financial officer) requires a change in authorized signers for debit cards with the banking institution and a financial review. **This also applies when fraud or misuse of the card has been discovered.**
- At the end of the term, debit cards must be returned to the treasurer, access to the account removed, and the cards must be destroyed.
- **If the card is lost or stolen**, the debit card must be cancelled and a financial review of the account must be completed to identify any unauthorized transactions.
- When using a debit card for expense transactions, make sure that the bank account has sufficient funds to cover the expense. Overdraft protection is suggested for bank accounts.

The above regulations must be added to the unit, council, or district's standing rules if a PTA chooses to use a debit card.

It is best practice to have an account used only for electronic deposits and bill payments that is separate from the main PTA checking account where most of the organization's funds are held. Issue debit cards against the secondary account. An "Authorization to Transfer Funds Between Accounts" form must be used to transfer funds between the electronic/Internet account and the general checking account to cover the cost of pre-approved debit card expenses. Any electronic transaction account established requires a separate financial review.

Cyber Liability Insurance Coverage is recommended to protect against possible losses due to the use of a debit card, Electronic Funds Transfer, Automated Clearing House, or Bank Bill Pay Services.

If the unit, council and district membership **does not allow** the use of a debit card, but the banking institution requires a card to be issued to make deposits, the treasurer must verify with the banking institution that any cards issued are designated as "**deposit only**".

Some banks automatically send bank cards to the homes of all check signers. If the units, councils or district's membership **does not allow** the use of a debit card, and debit cards are sent in error, the treasurer must collect the bank cards, return the cards to the bank, ask that the cards be removed from the PTA account, flagged, and destroyed. Verify that all cards have been accounted for.

Petty Cash

Units may not have petty cash funds. All expenditures must be paid by Check or online EFT/bill payment and signed by two authorized officers.

Some fundraisers will require some beginning cash on hand. Issue a check payable to the person who will obtain the starting cash for the cash box. This can be credited to the account titled "Cash on Hand." This cash is to be kept in a locked cash box and used for the fundraiser/event only. A separate cash verification and deposit slip should be used to redeposit the startup cash for an event.

Savings Account

A savings account may be opened in the name of the PTA, to earn interest on funds not currently needed, by vote of the executive board and recorded in the executive board minutes. For protection, make a motion to deposit or transfer funds from the checking account to the savings account.

The earning of interest does not jeopardize the PTA's tax-exempt status.

Earned interest becomes part of gross income. Include the amount of funds in the savings account and any activity for the period in each treasurer's report.

Invested funds should be in a federally-guaranteed and insured account.

Income and Expense

Income

The treasurer should ensure that all board members, especially the fundraising chair and membership chair, have a plan to properly control the receipt of funds and to count all monies. With all sources of incoming revenue, PTA members must follow PTA financial procedures. Establish controls for any fundraiser or membership campaign using the basic principles of proper money handling (see Handling PTA Funds). Plan ahead!

When a check is received as payment, no pre-numbered, multipart copy receipt is needed. A check is considered appropriate documentation.

When receiving cash, a pre-numbered, multipart receipt book should be used to issue a receipt for:

- Spirit wear sales – issue receipts for cash and checks (receipts help with inventory control)
- Cash donation – also send a thank you letter (see Providing Documentation to Donors)

Receipts are not required for the following:

- Membership table, membership envelope, membership form (the membership card is a receipt)
- Gift-wrap sales
- Carnival ticket sales (member receives a ticket)
- Raffle ticket sales (member receives a ticket)

Income received through an electronic transaction (direct deposit into your PTA bank account) should be documented with an ACH/Online Deposit form and a report or other documentation supporting the deposit to the PTA bank account.

Handling PTA Funds

All revenue and receipts must be counted and deposited in the bank immediately after the completion of an activity. At least two PTA members, one of whom should be an officer or a chair, must count the monies received. The people counting the money shall not be related by blood, marriage, or cohabitation. Do not publicize the place where money is to be counted.

Have all those involved in counting money verify the total and sign the Cash Verification Form. This form is a safeguard when volunteers are handling PTA funds (Cash Verification Form).

Copies of cash verification forms or receipts must be given to the event chair for documentation in his/her activity report. The totals must match the monies deposited for the activity.

The treasurer or financial secretary shall deposit the money immediately in the bank. If immediate deposit or night drop is not possible, plan for the safekeeping of money until it is deposited in the bank. **Never take money home.** For ongoing fundraisers or when money is coming in daily, the money should be deposited daily in the PTA's bank account.

Never deposit any money in anyone's personal account or in the school account. Never leave money unattended, in someone's home or in the trunk of a car (see Deposits).

Simple procedures for counting money can keep the PTA safe and ensure accurate reporting of receipts to the membership. If money is collected when the banks are not open, make plans with the bank for a night deposit or with the school principal to use the school safe. Be sure that the amount is documented prior to depositing it in the school safe or lockbox. The documented deposit should be placed in a sealed envelope signed by a school administrator and verified by two authorized PTA representatives. Each party handling the money should count, sign and receive a copy of the Cash Verification form. Any funds kept in a safe or lockbox must be recounted by at least two people (including at least one PTA officer or chair) immediately upon being removed from the safe/lockbox and prior to the funds being deposited at the bank. This is required even if the deposit envelope is still sealed and appears undisturbed.

Depending upon the community, a police or sheriff escort to the bank may be provided on request.

California State PTA E-Membership Program

PTA units may enroll to participate in the California State PTA online membership program provided as another means for encouraging people to join their PTA. The program is not meant to replace traditional member campaigns/programs; it is intended to be another alternative. Enrollment is optional and requires registration by the district and council as well as the unit.

Features of the E-membership program include:

- The ability to join multiple units at one time
- Members may choose to auto-renew
- Donations can be received through the E-membership program
- No fees charged to units for memberships collected
- No need to remit E-membership dues through channels; all money is sent directly to unit, council, district and State
- Accounting and reconciliation reports are available to assist in financial record keeping

- A separate bank account is recommended but not required.

For more information, see capta.org/join.

Providing Documentation to Donors

PTA members and contributors often assume any payment they make to a PTA in conjunction with a fundraising event is tax deductible. However, rules and limitations exist for the deductibility of such payments.

State and federal law requires that tax-exempt charitable organizations provide donors with receipts or other forms of documentation of contributions for a cash donation. Failure to comply may result in denial of deductions for donors and the imposition of penalties on the organization.

Tax laws require the donor to obtain a receipt for every cash donation regardless of the amount. A donor must have a canceled check, bank record or receipt that shows the name of the PTA to which the contribution was made, the date and the amount of the contribution; therefore, PTAs must give a receipt for every cash donation.

In-kind contributions of \$250 or more require written acknowledgment from the PTA that lists the items donated and includes the PTA's Employer Identification Number.

Upon receiving a *quid pro quo contribution of \$75 or more*, PTAs must provide written acknowledgment that quantifies the value of the donation (cash-equivalent) and documents how the donation was received (cash, goods or services).

In all cases, be sure to thank the donor for her/his generous support ([Donation Receipt](#)).

Quid Pro Quo Contributions

Payments made partly as a contribution and partly for goods and services provided to the donor from the charity are known as quid pro quo contributions. For example, when a donor pays \$100 for a concert ticket that would normally be valued at \$40, \$60 would be tax deductible. The quid pro quo contribution is the total amount paid, not the deductible amount. Therefore, in this case, because the donor paid \$100, a disclosure statement must be provided.

In the case of a large cash donation or an endowment, an association should contact district PTA or the State PTA office for guidance.

Donations of property such as vehicles and stock (except for publicly traded securities) that can be sold and are valued in excess of \$500.00 may need to file a form 8282 depending on how the value was determined. This only applies if the property is sold within 3 years of the donation but requires the donor to fill out part of the form. Since the donor may not be available in 2-3 years, it is good practice to have them fill out the form just in case you may sell it during that time frame.

Non-cash donations in excess of \$5000.00 require a form 8283 to be filled out and given to the donor for their

taxes. They also (except for publicly traded securities) must be appraised by an outside qualified appraiser.

See IRS information about non-cash donations at: <https://www.irs.gov/charities-non-profits/charitable-organizations/charitable-organizations-substantiating-noncash-contributions>

Returned Non-Sufficient-Funds Checks

Every PTA must establish procedures for non-sufficient-funds (NSF) checks. At a minimum, PTAs should require that the payee is liable for whatever fee the bank has charged for the transaction. These procedures should be documented in the standing rules.

Tips for handling checks received by the PTA in payment for goods or services and returned from the bank for non-sufficient funds:

- Call the writer of the check, explain that the check was returned by the bank and provide the reason given by the bank. Remember to state that the writer is now liable for whatever fee the bank has charged for the transaction. Document all conversations, including unsuccessful attempts to contact the check writer.
- If the unit has not received payment within 10 days, contact the check writer again to discuss the matter.
- Thirty days from the initial contact, if payment still has not been received, send the writer of the check a certified letter:
 - State in full why the money is owed to the PTA.
 - Demand payment in cash or bank issued money order plus the bank fee. Do not accept another check. (For cash, issue a written receipt to the payer, signed by two individuals.)
 - State in the letter that according to California Civil Code § 1719, if the unit files with the Small Claims Court, it will sue for the amount of the check plus three times that amount in damages.
 - Keep a copy of the letter for the files.

The decision to pursue a money matter in the courts should be decided by a vote of the PTA executive board. If the unit or council is incorporated, check the Articles of Incorporation to determine who should be involved in making such a decision. Remember, this is a confidential matter and should not be discussed outside the executive board meeting.

The court may require that the PTA provide a copy of a motion authorizing the filing of the claim and the individual authorized to represent the association.

For proper direction, rules, and procedures for filing in Small Claims Court, check with the clerk of the municipal court in the unit's area. It may be necessary to provide the court clerk with a copy of the minutes that include the motion (resolution) designating certain officers to act for the association in court.

NSF Checks Bookkeeping Procedures

When a check paid to the PTA is returned unpaid by the bank (NSF), note it in the ledger and checkbook register along with the charges levied by the bank. Treat the bank charge as a disbursement. Record the returned check as a returned NSF check negative receipt; and enter the amount of the check into the deposit column and place parentheses around the amount.

For instance, the original entry was under "Deposit" so the returned check should also be under "Deposit."

Check #1234 Brown, 2 memberships \$20.00

Check #1234 Brown, Returned for NSF (\$20.00)

When funds are recovered, add the amount back into the checkbook register and the ledger. Treat this as a deposit.

For each returned check, use a separate deposit ticket for redeposit or circle amount of check redeposited, if included with other checks being deposited.

Non-Dues Revenue

PTAs may need non-dues revenue to carry out the programs that members want. Programs like e-scrip are popular non-dues revenue sources. They work by contributing a portion of the sale of a product or service to a particular charitable cause. The amount of the contribution is usually governed by the sales or the usage of product or service. The association must vote each year to be a part of the program.

E-commerce purchases are made through the Internet. PTAs can enter into agreements with companies whereby the companies return a percentage of member and nonmember purchases to PTAs as a contribution. PTAs also can be designated as recipients of charitable contributions whenever a customer makes a purchase with a local merchant or service provider (i.e., e-scrip).

When any type of agreement is formulated, a PTA should verify that the agreement is structured to protect the PTA's tax-exempt status and does not compromise PTA policies. The agreement can be structured to avoid unrelated business income. The money received by PTAs should be accounted for as contributions on financial statements.

If a PTA has questions or is concerned that a program might violate or compromise PTA's tax exempt status, contact the district PTA or California State PTA.

Expenditures

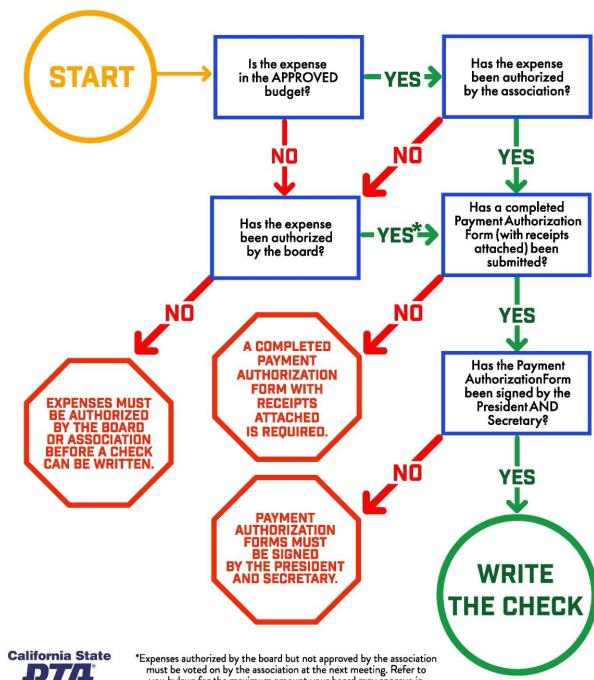
Adoption of the budget does not authorize the expenditure of the money. Committee plans must be approved by the executive board and funds must be authorized by the executive board or association before plans are implemented or any funds are expended. Bills must be presented for payment.

Neither executive board nor association approval is required to authorize payment for funds not belonging to a unit (Funds Not Belonging to the Unit). All these checks must be ratified at the next association meeting.

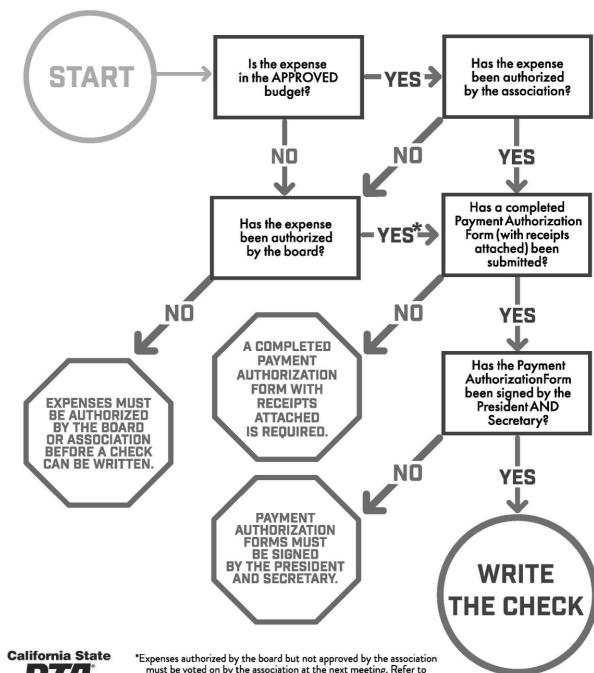
[Can We Write This Check Decision Tree -- Color](#)

[Can We Write This Check Decision Tree -- Black and White](#)

CAN WE WRITE THIS CHECK?



CAN WE WRITE THIS CHECK?



Check Request System: Payment Authorization/Request for Reimbursement

The Payment Authorization/Request for Reimbursement form is a combination of two forms: Payment Authorization and Request for Reimbursement. The

Payment Authorization/Request for Reimbursement should include the following information: date, check number, payee, amount to be paid, and budget line item(s), with the signatures of the secretary and the president authorizing the payment, following association approval. Receipts must be attached.

Budget approval is not authority for the expenditure of funds except as stated in the bylaws. The committee chair must first present plans that include a detailed budget to the executive board for approval. The executive board has the authority to authorize association bills within the limits of the budget adopted by the association. All monies/payments must be within the approved budget and either preapproved (funds released) by the association at an association meeting or ratified by the association at the next association meeting. To release funds for any activity, a motion must be adopted at an association meeting. "I move to release up to \$600 for the fall festival. Budget category: fall festival." The treasurer should provide a budget-to-actual comparison report to the executive board at least quarterly with the variance on all released funds.

After authorization by the executive board or the association, the presentation of a fully supported Payment Authorization/Request for Reimbursement Form permits the treasurer to write checks. An authorization for payment must be signed by the president and secretary. It is not necessary to wait until the next association meeting to reimburse monies.

Persons authorized to purchase items for the PTA, for which the expense will be reimbursed, may request an advance in an amount not to exceed estimated expenses. The advance must first be approved by the executive board. (Request for Advance)

Authorization Procedure – Funds Budgeted but Not Authorized

Whenever an authorization vote has not been taken, the treasurer must wait for approval prior to reimbursing the member. The member presents the Payment Authorization/Request for Reimbursement form to the treasurer with proof of money spent, such as an invoice marked "paid," a dated cash register receipt, etc. The treasurer presents each bill at a meeting of the executive board or the association, and a motion must be made to pay it. Discussion and vote follow. The action of the executive board must be ratified at the next association meeting.

When bills are approved for payment, the secretary records the motion, listing the bills approved (authorized) for payment in the minutes.

The secretary signs the Payment Authorization/Request for Reimbursement form to denote that the expense has been approved and the motion is included in the minutes. The president signs the Payment Authorization/Request for Reimbursement Form to denote it is a PTA-authorized expenditure (Fig. F-9 or Forms Chapter).

The Payment Authorization/Request for Reimbursement Form is given to the treasurer.

The treasurer prepares the check and records the check number on the Payment Authorization/Request for Reimbursement (Fig. F-9 or Forms Chapter).

The Payment Authorization/Request for Reimbursement Form is filed for review in the financial review.

The treasurer obtains the signatures of two authorized signers on the check for the protection of the PTA's funds.

The treasurer distributes the check.

Follow proper procedures to guard against misappropriation of funds. The responsibility of establishing and maintaining correct procedures rests with each member of the PTA executive board.

Unbudgeted Expenditures

Members must approve all expenditures. If the board decides to spend monies on unbudgeted expenditures and then presents a bill for payment or ratification, the membership may choose not to pay the bill(s). If bills are not approved or ratified by the membership, the executive board is personally liable for any PTA funds owed. If payment for a bill not approved or ratified has been made from the PTA account, the executive board must repay the funds.

Spending funds on unbudgeted items between meetings of the association is limited by an amount specified in the bylaws.

Guidelines for the expenditure of unbudgeted funds are as follows:

- Eight or more association meetings per year – up to \$500.
- Five to seven association meetings per year – up to \$750.
- Four or fewer association meetings per year – up to \$1,000.

Consult the bylaws for the specific amount allowed. The payment of these bills must be ratified at the next association meeting and recorded in the association minutes.

Financial Procedures for the Internet

When purchasing goods and material over the Internet, PTA members must take care when choosing the method of payment. Placing an Internet order constitutes entering into a contract and obligating the PTA. PTAs should only use online vendors who provide the option of billing the unit directly for the goods. Since PTA units are not allowed to have credit cards, individual members who choose to use their personal credit card should use extreme caution, as they may be held liable for any purchase not appropriately authorized.

These guidelines must be followed for any purchases over the Internet using vendor optional billing; (Where the vendor bills the PTA directly.)

1. The item(s) must be for the purpose of an approved activity, and/or the item(s) have been individually approved by the membership. Approval must be obtained prior to purchase.
2. Before committing to the purchase, a copy of the order must be printed and attached to the Internet Authorization Form (Forms Chapter) signed (authorized) by the president and one other executive board member. The shipping and handling costs and any taxes should be included on this form. If shipping and handling and taxes are not indicated, a note should explain their absence and to expect additional cost upon final confirmation of the order.
3. Upon verification that the purchase has been properly authorized, the individual requesting the Internet purchase may then complete the Internet order. (By today's standards most online vendors have the capability for users to shop over a period of time before committing to the purchase. This will allow for the printing of the order before the order is filled.)
4. After the order has been committed to the vendor, a final copy of the order shall be given to the committee chair and treasurer. This final copy should be compared to the original order submitted for accuracy, and should include any final shipping and handling and taxes for which the unit may be liable. All final documents shall be submitted to the treasurer for payment when the invoice arrives.

5. NOTE: Individuals committing to Internet purchases may be held liable for any Internet purchases not appropriately authorized, or in excess of the budgeted amount.

These guidelines must be followed when making any purchase over the Internet when using a personal credit card:

1. The item(s) must be for the purpose of an approved activity, or the items(s) have been individually approved by the membership.
2. A Payment Authorization/Request for Reimbursement Form (Forms Chapter) with receipt or credit card statement attached shall be submitted for processing.

This procedure is for reimbursement only. Unit and council PTA credit cards are NOT allowed for any reason.

Payment Via Electronic Funds Transfer/Bank Bill Pay Services

Online payment systems (i.e., Electronic Funds Transfer (EFT), Automated Clearing House (ACH), Bank Bill Pay Services) are an approved method of paying expenses. For Electronic Funds Transfer (EFT) and Automated Clearing House (ACH) payments, it is a best practice, but not required, to have a separate bank account established to restrict Internet access into the general checking account with account signers as listed in the minutes. Use of this account should be limited to online

payment collections and online payment of expenses. An "Authorization to Transfer Funds Between Accounts" form must be used to transfer funds into the Internet account from the general checking account. If using the Bank Bill Pay Service, a separate account is advisable. All expenses must be accounted for and reported in the monthly treasurer's reports. Any dedicated account established requires a separate financial review. An Authorization for Payment Via EFT/ACH/Bank Bill Pay Services form signed by two authorized check signers must be completed for all Electronic Funds Transfer/Bank Bill Pay Service payments.

Cyber Liability Insurance Coverage is recommended to protect against possible losses due to the use of Electronic Funds Transfer/Automated Clearing House/Bank Bill Pay Services.

Request for Advance

To receive an advance for an approved expense, a Request for Advance form (Forms Chapter) must be completed, approved by the president and returned to the treasurer. A Payment Authorization/Expense Reimbursement form (Forms Chapter) must be filed within 45 days of the advance being received by the requestor. All receipts must be attached to the expense statement. If an advance greater than the expense is received, a refund of the difference must accompany the expense statement. If expenses exceed the amount of the advance but the total does not exceed the approved amount, reimbursement of the difference can be made. If the total exceeds the approved amount, the excess amount must be approved by the board and ratified by the association before the additional amount can be reimbursed.

Stale Dated Checks

When a check has not been cashed after 30 to 45 days, contact the payee to determine why. If the check is still outstanding after 90 days, it may be necessary to stop payment on the check. The bank may charge a fee for a stop payment.

The original entry was recorded under "Disbursements." Record the uncashed check in the disbursement column again and place parentheses around the amount. (Some computer programs allow for a negative or minus sign instead of parentheses.) This reverses the original transaction and does not add to the gross receipts. Write a new check if payment is requested.

For example:

Original entry:	2/07/03 Ck # 1098
Jenny King	\$30.00
Enter a 2nd time:	5/04/03 Ck #1098
Jenny King, uncashed check	(\$30.00)

"Void" cannot be used in most computer software programs because it has the effect of zeroing the check on the date written which changes all the prior month

reports. Record a new transaction with the new date to void the check. List the voided check as a negative check on the treasurer report. While no motions are needed to void a check, motions are needed to reissue, especially if the check was issued in a previous term. Some programs, such as MYPTEZ, record the "Void" with the current date. Check the program currently in use to determine how to best void checks.

Budgeting

The budget is a financial representation of the goals, activities and operations a PTA expects to conduct during a specified time period. The budget estimates income and expenses for the year and must be presented to the association for approval and recorded in the association minutes. The budget must coincide with the term of office, which is usually also the association's fiscal year.

Developing the Budget

The budget committee, which is appointed by the president (or president-elect if the budget is being developed for the new term in advance of taking office), has the responsibility for developing the annual budget. The treasurer (or treasurer-elect if the budget is being developed for the new term in advance of taking office) is designated as the committee chair. The budget committee may include financial officers, the principal or other designated representative, the president (ex officio), and others. The committee cannot develop the budget until the board-elect has determined the goals and programs for the upcoming year. The executive board should have surveyed the school community before developing the goals and programs.

Once the goals and priorities are established, the committee should:

- Know the goals the association is trying to achieve for the year and plan finances accordingly.
- Invite board members to submit suggestions.
- Review the program(s) proposed by the program committee, including detailed expense projections.
- Review past budgets, income and expenditures.
- Estimate probable income from all sources.
- Balance probable income with probable expenses.
- Determine the amount of carry-over funds to set aside to begin operations at the beginning of the subsequent PTA fiscal year, prior to the onset of fundraising activities.
- Unallocated Reserve funds represent the amount remaining after making allocations for budgeted programs and activities and may be used to cover any unexpected or unplanned expenses in the current fiscal year.

Recommended Budget Line Items

When developing a PTA budget, consider including the following line items:

Carry-over Funds: Carry-over funds represent the amount which is set aside to begin operations at the beginning of the next PTA fiscal year, prior to the onset of fundraising activities. To calculate the amount of this reserve, review the prior year's Annual Financial Report to determine which operation or program expenses require funding during transition, and estimate costs for these items in the new fiscal year.

Convention: The annual California State PTA convention is usually held at the end of April or the first part of May. The unit should budget enough money to cover the cost of registration, hotel room, transportation and food for the allowed number of delegates based on the unit's membership (Attending Conventions and Conferences, Running Your PTA Chapter).

Donations: PTAs may ask community supporters to donate funds to the PTA for general use or for a specific program.

Fundraisers: Fundraising income is the gross income from fundraisers. List each fundraiser individually. The expenses for conducting each fundraiser should be listed under Expenses individually by fundraiser.

Gross Income: This includes the total amount of income for the year, excluding council, district, State, and National PTA portions of per capita dues and freewill offerings.

Insurance: Participation in the California State PTA insurance program is required of all PTAs in California. Budget an amount that is similar to the actual expense from the previous year's premium plus 10%. Units are notified of the premium amounts by October 1. The premium must be submitted to AIM by December 20, or a late fee of \$25 will be assessed by California State PTA.

Membership Dues: Each association determines its own membership dues, but a portion of each membership must be forwarded through channels. The forwarded funds are listed as "Funds Not Belonging to the Unit." This line of the budget should only reflect the amount of dues the unit retains as income.

Membership Envelopes: The purchase or printing of membership envelopes is listed as an expense.

Reimbursable Expenses: PTA should reimburse executive board members for any approved out-of-pocket expenses. PTA funds may not be used for personal expenses, gifts, personal acknowledgments, or personal use items. Appropriate out-of-pocket expenses include photocopies, office supplies, etc. Unit, council and district PTAs should budget for out-of-pocket expenses and ensure the budget is shared equitably among officers/chairs in accordance with job responsibilities. Members should be reimbursed upon submission of a signed Payment Authorization/Request for Reimbursement form. Receipts must be submitted for all reimbursable expenses. Unit, council and district PTAs may not budget an officer's allowance. The IRS considers an allowance as miscellaneous income that

must be declared by the recipient as such and will be taxed accordingly.

Staff/Volunteer Appreciation: PTA resources may be used for hospitality for staff/volunteer appreciation as long as it does not represent a significant amount. "Not of a significant amount" was previously defined by the IRS as an amount that does not exceed 5 percent of the nonprofit organization's annual budget (see Staff Appreciation). PTA funds cannot be used to purchase personal gifts for staff or volunteers, including gift cards.

Training/Workshops: Budget funds to send executive board members to council, PTA district, and California State PTA workshops/meetings.

Unallocated Reserve: Unallocated reserve funds represent the amount remaining after making allocations for budgeted programs and activities and may be used to cover any unexpected or unplanned expenses in the current fiscal year with approval of the association. The budget should be amended to reflect funds transferred from Unallocated Reserves to other expense categories.

Restricted Reserve: In planning the budget, it is permissible for PTAs to have a savings account to hold funds for more than one year for the following reasons:

- Efficient management of restricted funds;
- A PTA program requires large donation to the school and the school district requires advance notice if the PTA cannot continue to fund the activity; i.e., computer equipment or teacher aide salary; and
- Monies to finance long-term or unexpected but approved projects or programs, i.e., playground project.

As a guide, the savings account reserve should not exceed one-half of the association's budget for an average year.

Funds Not Belonging to the Unit

Council, district, State, and National PTA portions of membership dues and the Founders Day freewill offering are not a part of the unit's funds to be used for expenses. They should not be included in the annual budget as receipts for budget planning purposes. They also are not included in the gross receipts when reporting to the IRS (Gross Receipts). These funds can be paid without the authorization of the membership. Such funds should be forwarded through channels immediately. Council or district PTA remittance forms must be issued to ensure proper allocation of funds from the unit.

All disbursement of funds not belonging to the unit must be recorded in the next treasurer's report and payment reported to the association. Council and district PTAs set their own dates far enough in advance of California State PTA due dates to have sufficient time for such pass-through funds to be received by the California State PTA office (Budget Sample).

Approving the Budget

In the spring, the board-elect develops the budget and presents the proposed budget for adoption to the current executive board and the membership at the last PTA meeting of the year. The association approves the release of any funds required prior to the next association meeting in the fall. This allows the board-elect the ability to cover routine summer expenses as outlined in the bylaws.

The PTA shall not assume any financial obligation in any one term of office that will be carried over into the succeeding term. The proposed budget must be presented to and voted upon by the executive board and recommended for adoption at the first association meeting each year. After the budget is adopted by the association, it should be followed closely in all financial transactions. Adoption of the budget does not authorize the expenditure of the funds.

Amending the Budget

If adjustments are needed, the budget can be amended by a two-thirds vote of the association. It is recommended that the treasurer provide the executive board with a budget-to-actual comparison report at least quarterly.

Protecting PTA Tax Exemption

PTAs are exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. To retain the tax-exempt status, PTAs must pay attention that fundraising does not become the primary focus. All PTAs function under the exempt status of California State PTA and National PTA. An individual unit can have an effect on the entire association. Disregarding the prohibition against substantial commercial activities could result in having to pay tax or a tax penalty and/or loss of tax-exempt status by the IRS.

Most PTA fundraising activities are exempt from federal income taxes, because a majority of the work performed at the unit level is conducted by volunteers and donated merchandise is sold.

Fundraising

Local Requirements for Fundraising

Become familiar with state and local requirements for fundraising. These include school district policy for use of school grounds, equipment, food services; local permits for solicitation; municipal regulations for public gatherings – fire, curfew, traffic, food sales, health and safety; and regulations governing tax-reporting requirements.

Standards for PTA Fundraising

Fundraising is the method of raising money to finance PTA programs and projects. The fundraising project

must support the goals of PTA and be related to the educational, charitable, and philanthropic purposes as a tax-exempt organization. When planning the year's activities, PTAs should use the 3-to-1 rule: There should be at least three non-fundraising programs aimed at helping parents or children or advocating for school improvements, for every one fundraiser.

Fundraising should involve as many members as possible and be fun. It should not be a burden to the school staff or parent volunteers, compete with or detract from school lunch and nutrition programs, or conflict with other PTA, school, or community events. Children should never be used to sell door-to-door or exploited to raise funds. It cannot involve commercial or advertising obligations.

The fundraising project must have the approval of the membership in advance of the event, and the vote must be recorded in the minutes. Projects must have a specific purpose. If the fundraising project is ongoing (e.g. AmazonSmile), it must be approved each year by the association membership.

3-to-1 Rule: There should be at least three non-fundraising programs aimed at helping parents or children or advocating for school improvements for every one fundraiser.

Fundraising Committee Responsibilities

PTA fundraising activities are carried out by a committee whose chair is an appointed or elected member of the executive board. The president should not be a chair. All plans must be approved in advance by the executive board.

The major responsibility of the fundraising committee is to raise the amount needed to meet the proposed unit budget and to work cooperatively with the PTA president and treasurer in accounting for receipts and disbursements for the activity. The committee may also plan specific fundraising events and activities. Check the Insurance Guide to be sure the activity is allowed.

Committee Procedures

Fundraising events must be approved in advance by the executive board and association. Approval should be recorded in the minutes. Recruit enough volunteers to conduct the project. Assign each volunteer specific tasks and develop a work schedule. Solicit donated goods and services. Clear the dates with the school and reserve needed facilities and equipment. (See Event Planning Worksheet; Preliminary Planning)

Make firm arrangements with vendors. Obtain all necessary permits. Be sure each vendor is fully covered by his own liability insurance and Workers' Compensation insurance. Obtain a copy of the vendor's **certificate of insurance per vendor requirements in the Insurance Guide**.

Fundraising Inventory Management

Many PTAs fundraise by ordering a product from a specific vendor. When the product arrives at a school site, the PTA must maintain product inventory. The PTA executive board must ensure that inventory records are maintained and recorded following all PTA financial procedures. PTA membership approval is needed for each fundraiser before ordering product. Any agreement between the PTA and vendor is a contract that must be honored. Carefully document items ordered. Treat inventory like cash. Just like a cash verification form, have two people count product items upon receipt, reconcile against the order form, packing slip and invoice, and sign an inventory summary sheet. If there is a discrepancy, contact the vendor immediately. Pay all invoices promptly. Inventory should be stored in a secure lockable location. Track all sales in detail. Document when items sold are picked up or delivered to customers. If a customer complains handle it promptly and refund monies if necessary. Periodically count inventory to ensure accuracy. Retain all records for financial review. Write a committee report at the end of the fundraiser documenting the details of the fundraiser. Contact the district PTA immediately if there are any problems.

The standard PTA insurance does not generally cover losses to stored inventory in case of damage. You should consult AIM, the California State insurance broker, if you think you will need additional coverage for property storage.

Noncommercial Policy

The noncommercial policy requires that the name "PTA" or the names of PTA officers not be used in conjunction with the commercial activities of other organizations, including, but not limited to, the promotion of their goods and services.

Continuing or repeat projects produced in cooperation with a commercial business may be seen as PTA endorsement of that business, as may the use of the name of PTA along with the business name in promotions. The association or members in their official capacities shall not be used to endorse or promote a commercial entity or engage in activities not related to the promotion of the Purposes of the PTA.

- Do not make a qualitative judgment of the sponsor's products or services; i.e., Joe's widgets are the best!
- Do not include comparative language or language that implies good quality in the acknowledgment; i.e., Joe's widgets are so much better than Bob's widgets!
- Do not permit the sponsor to write the acknowledgment of thanks; i.e., Thank you, ABC PTA, for endorsing our product!
- Do not ask members or the public to buy the products or services of the sponsor; i.e., Go to Joe's for your widgets!
- Do not advertise a product or service.
- Do not endorse a product or service; i.e., Our PTA supports Joe's.

Sponsorship versus Endorsement

The law permits a nonprofit organization to receive corporate sponsorship income tax free if the sponsorship is linked to a specific event that is held once per year. It is acceptable for PTA to receive payments structured as royalties which is a percentage of gross sales or to enter into sponsorship agreements with businesses, including e-commerce businesses. Under new regulations, it is acceptable for PTAs to agree to an exclusive sponsorship. An exclusive agreement is one which prohibits competitors of the sponsor from selling at the event. The portion of the payment which reflects the exclusion element is taxable.

For the payment to qualify, there must be no arrangement or expectation that the business will receive any substantial return benefit for its payment. The PTA may not enter into a partnership with a business. Partnership implies sharing in the profit and loss of the business and would result in unrelated business income and tax liability.

The PTA should acknowledge publicly the royalties or sponsorship. The acknowledgment of thanks can list the corporate sponsor's name, logo, address, telephone number, and products.

PTA May

Hang a banner on the school campus with permission of the school principal per district policy.

Hang a banner where an event is being held after a Facilities Use Permit (Running Your PTA Chapter; Forms Chapter) is approved.

Place an acknowledgement in an event program book.

Announce event sponsors to the audience.

Acknowledge the sponsorship of a particular event in the PTA newsletter or school newsletter, if school district policy permits.

Distribute samples of the sponsor's products at the sponsored event (if school district policy permits) or if a Facilities Use Permit (Running Your PTA Chapter; Forms Chapter) allows sponsored product distribution.

The PTA may provide a hypertext link from the PTA's website to the sponsor's website. PTA must be cautious in how this link is established. It is possible that the existence of a link might cause the sponsorship payment to be considered as unrelated business income, particularly if the link is in the form of a moving banner. A link would more than likely be seen by the IRS as retaining the passive character associated with corporate sponsorship, while a moving banner is more likely to be considered advertising. The duration of the link should correspond to the terms of the contract with the sponsor.

If PTA provides a Web link to an e-commerce business, a disclaimer must be included on the PTA website. For example:

"PTA does not endorse, warrant or recommend any of these products. PTA will receive a small percentage of every sale. If you decide to purchase any products, we thank you."

An e-commerce business should be seen as a fundraising company acting as an intermediary or buffer between retailers and consumers.

While the PTA obviously would put some effort into promoting the use of electronic shopping, in order to do so without risk, the following conditions must apply:

- Use of the program must be entirely at the discretion of the user;
- Unit cannot have control over whether or not anyone will use the site;
- Unit cannot have control over whether or not they are entitled to any of the proceeds; and
- Unit cannot release member information to a third party.

A variety of e-commerce retailers, also known as charity malls, are donating a portion of purchases made through their sites in exchange for the goodwill the charity can generate. The charity mall allows customers to use the charity mall's home page as a portal for shopping at any number of participating stores. For each online purchase, the PTA would receive a percentage of the sale. Working with the e-commerce business in this way, the PTA is less likely to be characterized as conducting a business, and instead, is simply receiving royalties.

Each fundraising opportunity must be evaluated individually.

Businesses Should

Understand PTA policies and procedures, especially in relation to noncommercial, nonsectarian, and nonpartisan policies;

Not violate PTA policies, positions and goals;

Exclude all websites that sell or feature firearms, tobacco, liquor, or adult content material;

Have a written policy that supports education opportunities;

Offer benefits to PTA;

Encourage participation in PTA;

Protect the privacy and security of users:

- Prohibit framing, the possibility that a third party is monitoring the transaction, when users are interacting with merchants;
- Have privacy seals from the Better Business Bureau and Trust; and
- Require individuals to provide only minimal information, such as name and e-mail address;

Not require mandatory registration or membership in order to participate in the program;

Ensure that program interface is clear, functional, and easy to use;

Structure payments to the PTA as royalties;

Specifically identify the unit as a separate and distinct entity receiving the royalties, rather than just listing the school site;

Provide a complete accounting for determining the share of royalties on a monthly basis;

Require a minimal amount of effort from the PTA in promotional activities;

Be seen as a fundraising company acting as an intermediary between retailers and consumers.

Note: Purchases made through e-commerce generally will not result in tax-deductible charitable contributions, unless the purchaser can demonstrate that the amount paid for the item exceeded its fair market value and that the excess payment was intended to be a gift to the PTA.

Selecting Appropriate Fundraising Activities

When considering and carrying out large fundraisers, keep the following concerns in mind:

- Is the fundraising project related to PTA's educational, charitable and philanthropic purposes as a tax-exempt organization?
- Will the proceeds of the fundraiser be designated for specific approved projects that meet the purposes of PTA? Do not hold a fundraiser if the PTA has not determined how the funds will be spent.
- Does the project violate PTA's noncommercial policy?
- Does the association have enough volunteers?

Safeguards for Conducting Fundraising Projects

The fundraising chair needs to:

Present plans to the executive board for approval and to obtain authorization to expend funds.

Read all contracts carefully.

Ask the membership to approve the contract before committing to the vendor. Ensure that the contract is signed by two elected officers of the PTA, one of whom must be the president, after the membership has voted to conduct the project.

Follow the financial procedures required by the California State PTA. (See Handling PTA Funds.)

Request reimbursement in a timely manner for expenditures made on behalf of the association or, if an advance was requested, present the completed Payment Authorization/Request for Reimbursement no later than 14 days after the event.

Never pay any vendor with cash collected the day of the event. Pay bills by check after a vote of the association.

Prepare a report detailing the income and expenses of the event.

Alcohol and PTA Events

Selling Alcohol – According to the California Business and Professions Code, Section 25608, "Every person who possesses, consumes, sells, gives, or delivers to any other person, any alcoholic beverage in or on any

public schoolhouse or any of the grounds thereof, is guilty of a misdemeanor."

(Note: Assembly Bill 2073 ("AB 2073"), which became law on January 1, 2015, created an exception to the prohibition against the sale or consumption of alcoholic beverages on the grounds of K-12 district facilities if the beverages are acquired, possessed, used, sold, or consumed under a license or permit obtained for special events held at a time when students are not on the grounds. The new law will allow K-12 districts, community college districts and other local education agencies more flexibility in renting their facilities for fundraisers and other events which include alcoholic beverages so long as a license or permit is obtained and students are not present.)

In accordance with the California State PTA insurance program, PTAs may engage in the sale of alcoholic beverages at PTA events provided necessary approvals are obtained, including appropriate ABC (Alcoholic Beverage Control) licensing and approval of the school district for events held on school grounds. Many PTAs hold annual silent auctions and dinners as fundraisers, at which bottles and/or cases of wine are donated for use as auction items. These donated bottles and/or cases of wine may be used as auction items. Contact the school district for local policies regarding auctioning of donated alcoholic beverages.

Serving of Alcohol at PTA Events – California State PTA strongly urges its unit, council, and district PTAs to refrain from serving alcoholic beverages at PTA functions, particularly when students are present. If alcoholic beverages are served at an adults-only PTA function, care should be taken to limit the liability of the PTA. It is suggested that alcoholic beverages be provided and served by a licensed establishment, licensed bartending service or catering company that has the appropriate permits and insurance. When a PTA is planning an event that will include alcoholic beverages, the PTA may collect for the cost of the alcoholic beverages through ticket sales. If a PTA votes to serve or sell alcoholic beverages at an event, all necessary ABC (Alcoholic Beverage Control) licenses should be obtained by contacting the local ABC office. Note that ABC may require alcohol serving and sales training.

It is recommended that PTA funds not be used to purchase alcoholic beverages or bottles of alcohol. Remember, the purpose of the PTA is to work on behalf of all children and speak for "every child with one voice."

If a PTA has any further questions regarding this subject, please contact the California State PTA insurance broker and your district PTA.

Choosing a Fundraising Company

Evaluate and research several fundraising companies. Determine the best value for the PTA in working with a specific fundraising company. Invite several companies to give presentations in order to compare several aspects of each program. Do not select a company based on one criterion, such as percentage of profit.

Determine the quality of the product. Higher quality items will generate more sales and enhance the reputation of

PTA. Determine what services are offered to make the fundraising effort as trouble-free as possible.

- Is shipping an additional cost?
- Is there a reduced cost based on volume purchased?
- Who is responsible for developing fundraiser fliers?
- Who is responsible for packaging individual orders?
- Are products guaranteed?
- How are order errors handled?

Determine the experience, professionalism, and reputation of the company within the community. Ask how long the company has been in business, whether the company is a member of the Association of Fundraisers and Direct Sellers (www.afrds.com), and for two to three references. If a company will not provide references, it is an indication not to use its services. When provided, contact references and ask about their experiences with the company and whether they recommend it.

Determine what safety measures or policies the company offers. Review samples of the company's letters, videos, fliers, and other promotional materials that indicate safety is assured.

Determine the company's ability to meet the PTA's goals. The retail price of the product should represent a fair market value for its goods and be reasonably priced. The PTA should be able to make a fair profit. Ask whether the company can demonstrate a history of success, placing the burden of proof on the company to convince the PTA that their goal will be met. Do not pay in full for products until the complete order is delivered. If a deposit is requested, it should be a token amount of the total order.

Verify the company carries liability insurance. The Approved Vendors List provides a list of Concessionaire/Vendors/Service Providers who have filed the appropriate evidence of insurance with the California State PTA Insurance Broker. Because a vendor is listed with insurance DOES NOT mean that all activities he/she might offer are approved. Refer to the Insurance Guide and contact the California State PTA Insurance Broker for additional information.

Operation of Bingo Games and Poker Nights for Charitable Purposes

Bingo is a game of chance that must comply with regulations of all local authorities, including school district and city and local governments. Consult with county council and/or city attorney to determine local code and ordinances. When authorized, PTA, as an organization that falls within §23701d of the Revenue and Taxation Code (charitable organization and tax-exempt), may receive a license to operate a bingo game provided that all provisions of California State Penal Code §326.5 are met. These laws are updated frequently.

Certain tax-exempt organizations are authorized by state law and local ordinance to raise money from bingo, provided that: (1) the proceeds are used only for charitable purposes; (2) the games are conducted by volunteer members of the organizations; (3) no salaries

are paid with bingo proceeds; (4) there is no commingling of bingo money with any other funds; and (5) the organization conducting bingo holds a valid license issued by the city or county in which bingo is played.

On January 1, 2007, a California law (AB 839) was enacted allowing eligible nonprofit organizations to hold "charity poker night" fundraisers. Nonprofit organizations and suppliers of equipment and/or services for such fundraising events must submit an annual registration form to the Bureau of Gambling Control for approval.

The organizations must meet all requirements of the California Attorney General; refer to <http://oag.ca.gov/gambling/charitable>.

Bingo and charity poker night proceeds are considered to be part of the gross receipts of the unit (see Income). They must be accounted for in the financial review, the budget and all financial reports to the executive board and association. If someone other than the treasurer is responsible for reporting, a financial report must be made at each executive board and association meeting. The bingo proceeds also must be considered when determining the necessity for Federal and Unrelated Business Income Tax reporting.

Legal Raffles for PTAs

Forms and information on how to conduct a legal raffle can be obtained by visiting the California Attorney General's website. (See www.oag.ca.gov/charities/raffles.)

A completed registration form and registration fee must be submitted at least 60 days prior to when the raffle is expected to be conducted. A Nonprofit Raffle Report must be completed for raffles conducted during a reporting year (January 1 through December 31). Reports are due on or before February 1 (California Penal Code section 320.5). Once registered, the Attorney General's office requires re-registration annually. The PTA must be current with the Attorney General's Registry of Charities and Fundraisers, and must have been in existence for at least one year, in order to be eligible to conduct a raffle.

Raffles may include but are not limited to raffles, donation drawings, ducky derby and cow chip bingo. Fifty-fifty (50-50) raffles are illegal.

Online sales of raffle tickets are prohibited by the Attorney General. You may advertise the raffle on your website but you must sell the tickets in person.

Paper SCRIP Programs

Scrip is a coupon that may be redeemed in lieu of using cash at the store that issued the scrip. Scrip is purchased, usually from grocery stores, in large amounts for a discount off the face value. The PTA then sells the scrip at the full value, raising funds for the unit. When purchased directly, scrip is redeemable by anyone and, therefore, is as subject to loss or theft as cash.

Scrip can be purchased by the unit either directly from the store or a scrip wholesaler. The basic bonding insurance provided as part of the California State PTA insurance program may not be sufficient for PTAs that sell large amounts of scrip. Higher limits are available for

those who have a need. Please refer to the Insurance Guide.

Inform purchasers that scrip is not tax deductible, since the full value is received when paying for items at the issuing store, just as if they paid with cash. Use a stamp to mark front of checks received in payment for scrip, "Scrip Purchase – Not Tax Deductible."

Ensure the Scrip Committee follows correct financial procedures.

Work directly with the store(s) and purchase scrip with a PTA check signed by two authorized elected officers.

Keep an accurate record of scrip inventory and all sales.

Provide a written report to the treasurer with deposit receipts attached, to be placed on file for audit.

Make arrangements for safekeeping of scrip between sales.

Do not keep scrip at a committee member's private residence or in a car trunk.

Renting a safe deposit box at a bank is recommended for large amounts of scrip.

If unsold scrip or money cannot be deposited in the bank immediately, establish advance arrangements with the principal to use the school safe. It is recommended the PTA purchase a small safe or lockbox to place inside the school safe.

Prior to placing unsold scrip or money in the school safe, two PTA members, one of whom must be a financial officer or chair, must count it. Document the amount and have the documentation signed by the PTA members. The principal may require that a school representative verify the documentation.

Conduct sales of scrip in a safe, protected location.

Provide interested customers with a name and phone number of a person whom they can contact for information about the sale.

Never use children as couriers.

Maintain control of the program to ensure that all scrip sales are accurately reported.

Obtaining Grants

Grants are specific funds given to an organization to perform specific functions. Unit, council and district PTAs may apply for grants in order to fund many of their projects and programs. Businesses, foundations and corporations give grants to causes they consider worthwhile. When applying for grants, PTAs may want to stress the points that public schools produce future employees, and that donations or gifts are tax deductible, as PTA is a 501(c)(3) organization. Organizations like the American Cancer Society, March of Dimes, Kiwanis, and Lions Clubs will make funds available for projects that fulfill their goals, such as programs addressing child abuse or substance abuse prevention.

The project for which a PTA is seeking grant funds must be one that promotes the Purposes of the PTA, is relevant to the PTA's goals, and has been approved by a vote of the membership. PTA members must be committed to following through with the stated goals of the program. The project should be one that will not commit the participation of succeeding PTA boards.

If the PTA is serious about seeking grants, find someone with expertise in writing grant proposals. The local school district may have a qualified staff member. Seek the guidance of people who are knowledgeable about the intricacies of writing proposals.

The first step is to gather information about possible sources of funding. These include federal and state governments, private foundations, community foundations, private individuals, and nonprofit organizations such as United Way. Unit, council, and district PTAs may apply for grants in order to fund many of their projects and programs.

Grant Writing

A grant writing chair can be appointed by the president to coordinate PTA grant writing efforts. When a PTA is interested in applying for outside funds to help implement a PTA project, a committee should be appointed by the president to look for sources of funding and to prepare the proposal.

Grant Request Process

Contact the grant source in writing with a brief letter of intent explaining the project.

Request the grant specifications from the donor and follow them carefully.

Find out who is responsible for reviewing grants and send the proposal to that person.

Follow up with a phone call if the donor has not responded within six to eight weeks.

Seek a personal meeting to explain the PTA's proposal further. Be open to questions. Be succinct. If the proposal is not funded, ask why.

Recommend revisions for future proposals.

Accept the final decision graciously. Always properly acknowledge the donor's generosity when the request is funded.

Proposals

When writing a proposal, provide detailed information about the proposed project. Most grant proposals have a distinct format, but the information sought by donors is often the same:

- An introduction that describes the PTA association and its purpose;
- An overview of the project and its specific goals;
- A statement that defines the problem the project seeks to solve;
- Statistics that substantiate problem identification;
- The target population;

- The project's value to PTA and to the school community;
- The proposed outcomes of the project;
- An explanation of the activities the grant will fund;
- A timeline for completion of the project;
- A description of how the project will be evaluated; and
- A proposed project budget that includes both expenses and in-kind services.

The grant writing chair or committee should maintain a file of completed applications, individuals who are resources, and possible sources of funds to assist future committees. If a grant is awarded, the grant writing chair is responsible for complying with the donor's reporting requirements, including providing the unit's IRS Employer Identification Number (EIN). A PTA may furnish a donor with an EIN if requested.

Verify that the donor can write the check to the name as it is stated on your bank account. Many companies issue the check to the PTA California Congress of Parents name and this may cause an issue at the bank unless your account has both versions of your PTA's name on it.

The treasurer must track all expenditures carefully; this information is a requirement in all grant donor reports. Keep the association aware of the progress of the grant application process, and use the reports submitted to the donor to inform the association of the project's implementation progress.

All action taken on grant applications or project implementation must be recorded in the PTA minutes.

Programs at School

A PTA may elect to organize or support educational programs, subject to PTA guidelines and insurance limitations. Such programs could range from hiring staff by gifting monies to school districts, supporting classroom field trips or supporting an academic enrichment program. All projects and programs must be voted on and approved by the current year's membership before any expenditure may be made.

Staffing, tutoring and enrichment programs must be based on the needs of the school community. Consult with the principal, the faculty, the program director and the parents. The program should have positive benefits for all participants.

PTA funds are private monies; **school funds** are public monies.

PTA Funds versus School Funds

Only PTA funds shall be deposited into the PTA treasury. A PTA shall not act as a depository for funds of other organizations. School funds or funds belonging to

outside groups shall not be commingled with PTA funds in any way. If a PTA sponsors a project or program in cooperation with the school, all funds shall be accounted for and separated prior to the immediate deposit of the PTA portion into the PTA bank account. All funds deposited in the PTA account become the property of the PTA, and all expenditures require a vote of the association.

Field Trips

When funding classroom field trips, funds should be paid directly to the school district and include a Fiduciary Agreement requesting that they be deposited into the school district general fund for the unit's school and earmarked for the payment of buses and/or admission fees. PTA members should not assume responsibility for transporting students, as PTA's liability insurance does not cover transportation in personal vehicles. PTA insurance also does not cover bus transportation. PTA may pay for other costs of field trips directly if the school district is unable to accommodate the donation.

School Staff Positions

When paying the cost of a teacher aide or special instructor, funds should be deposited with the school district, so that the employee is covered by school district insurance (See Fiduciary Agreements and Gifts to Schools). In addition, the subject matter for the enrichment program must be approved by the school district, and the use of school facilities must be approved by the principal and the school district. If the school district insists the program be funded and staff paid directly by the PTA, care must be given (see PTA as an Employer).

Computers, Technology and Other Major Purchases

Major purchases such as computers, copy machines, air conditioners, and/or audiovisual equipment, as well as books and classroom and playground equipment, must meet school district standards and may be required to be purchased through the school district. If possible, try to reach an agreement with the school district stating that the purchase remains at the school site to which it was originally donated and that the PTA can use the equipment for PTA purposes (See Fiduciary Agreements and Gifts to Schools).

Technology plays an important role in the future of education. PTAs will likely be asked to help supply technological equipment and materials to the schools. The following guidelines are for PTAs' use when purchasing computers and/or other technological equipment:

All purchases should be made in consultation with the school district. PTAs should study the school district and school site computer plans before purchasing any technological equipment. In making equipment (or software) purchases, PTAs should determine how the

equipment will be used to enhance the instructional program and make sure that:

- There is a comprehensive school district plan for how equipment will be used in conjunction with school curriculum;
- The equipment to be purchased falls within the school district's overall plan;
- The staff is trained to use the equipment, and there is an ongoing in-service training program to keep teachers current with technology opportunities; and
- Adequate school district funds will be allocated for appropriate software purchases.

In order to fulfill PTA's parent education responsibility, PTAs are encouraged to secure a commitment from the school principal and the school board that the computers donated may also be used by PTA for parent education programs, website development and PTA newsletters, etc., when not being used in conjunction with the regular school curriculum.

Academic Enrichment Programs

A PTA-sponsored Academic Enrichment Program designed as an extension of the school curriculum offers students an opportunity to expand their knowledge and academic experience.

Prior to implementation of any academic enrichment program the Insurance Guide must be consulted to ensure compliance with sanctioned activities. For insurance purposes, an enrichment program is intermittent in nature and does not continue on a daily basis over the duration of the school year. For any questions regarding general liability insurance, contact the California State PTA insurance broker whose number can be obtained from the Insurance Guide.

If a unit, council or district PTA chooses to sponsor activities that the insurance underwriter has not listed, the unit, council or district PTA must contact the California State PTA insurance broker and may have to purchase the necessary additional participant liability insurance for that activity, and the entire association (California State PTA and its unit, council and district PTAs) must be named as an additional insured. Please contact the California State PTA insurance broker for requirements for additional insurance. (Refer to the Insurance Guide.)

A special enrichment program study committee should be appointed by the PTA president to determine if a need for a specific academic program exists and to assess its potential value. A program must be acceptable not only to the PTA association but to the principal as well; therefore the committee should include the school principal, a PTA financial officer, a faculty member and other interested persons. Consideration should be given to the feasibility of the local Parks and

Recreation Department providing such a program rather than the PTA.

TOPICS FOR CONSIDERATION

The program must be academic in content with defined goals. The PTA must monitor and evaluate the program to ensure that the goals are being met.

The instructor may be a volunteer or a paid professional. Qualification guidelines must be established for the instructor, and PTA may not hire a voting member of the board as an employee for enrichment programs.

If the instructor is to be paid, the budget must reflect this expenditure. There must be sufficient income from other sources, such as fundraisers or program fees, to meet this expenditure.

A fee may be charged. However, fees should be minimal. All interested children must be served and no child may be excluded because of inability to pay any fee.

The PTA treasurer may handle the bookkeeping or there may be a need for a project financial chair, who provides written reports given at the regular meetings of the executive board and the association. Checks can be signed by designated elected officers only. All procedures outlined in the Bylaws for Local PTA/PTSA Units for the expenditure of funds must be followed.

The program should be held at a time when all interested students may attend, including those on bus schedules and those residing outside the school attendance area and those students "off-track" when the year-round school calendar is being followed.

Consideration must be given to where the program will be held and the site's accessibility for all students.

Compliance with the Americans with Disabilities Act requires that the PTA make reasonable accommodations necessary to make the class accessible to students with disabilities. This may include determining that a private location or specialized medical training is available for the handling of a student's personal needs.

The PTA must be responsible for defining and implementing safety and emergency procedures.

When it has been determined that an enrichment program will benefit all children, the committee shall bring its recommendations, including how the program will be operated, to the PTA executive board for approval and recording in the executive board minutes.

In order to continue the program, it must be approved each year by the association.

If the program needs approval by the school district administration or the school board, the PTA must proceed accordingly to obtain the appropriate authorization. The committee responsible for coordination of the program must make a progress report at each executive board meeting and, periodically, to the association. Approval dates must be recorded in the association minutes.

If the program is held before or after school, on or off school grounds, a signed parent consent form must be

on file for each student. There must be phone access for emergency needs. The instructor must use procedures established and monitored by the PTA for checking children in and out of the program. The insurance underwriter requires there be at least two unrelated persons 18 or over in attendance at all times.

It is strongly recommended that PTA fund an academic program by giving the monies to the school district as a gift to the school, in accordance with school district policies, instead of the PTA hiring instructors. If PTA votes to hire an instructor, refer to PTA as an Employer.

To reduce risk of exposure and protect California State PTA, California State PTA has determined that sponsoring certain programs is not permissible for PTAs and is not to be covered under the California State PTA General Liability Insurance Policy. Refer to the Insurance Guide for a listing of prohibited activities.

Personal Gifts

PTA funds should not be used to purchase personal gifts, equipment for staff lounges and lunchrooms or for furnishings for principals' offices. Personal gifts include gift cards and gifts for baby showers, Secretary's Day, bereavements, weddings, or birthdays. If the membership determines that such items are necessary, the individual members can make personal donations to purchase the designated items. These donations should not be commingled with PTA funds.

Hospitality

PTAs must maintain their nonprofit status as governed by the Internal Revenue Service Code section 501(c)(3). Within the language of the code, the IRS does permit expenses that are not directly related to the primary purpose of the PTA if the expenses are not of a significant amount. Five percent is the recommended limit to be used as a guideline for PTAs for all hospitality expenses, including staff or volunteer appreciation. It is important to budget appropriately when considering all PTA expenditures, and all expenditures must be approved by the membership.

The PTA may provide hospitality for association, executive board, and committee meetings; staff appreciation; volunteer appreciation; and other events requiring refreshments, food, paper goods, certificates, or decorations. The PTA may choose to:

- Purchase nonalcoholic drinks and/or snacks
- Solicit donations from businesses or members, or
- Store supplies to make coffee and/or punch, etc.

The cost of meals or beverages provided for volunteers during the course of their work; e.g., while processing fundraiser orders or counting money after an evening program, are not considered to be hospitality. Such expenses must be budgeted and approved by the association in advance. The expenditures are accounted for as a cost of doing the program or fundraiser on which they are working; e.g., wrapping paper sales or a fall festival.

Staff Appreciation

California State PTA understands the importance of staff appreciation in building a stronger home-to-school connection. PTA resources may be used for this type of expense.

Acceptable expenditures may include a staff lunch as long as the expenses follow the above guidelines and the expenses are approved by the membership.

Personal gifts for staff must not be purchased with PTA funds. You may take freewill cash donations/gifts for this purpose but the money must not be deposited in the PTA's bank account.

See Gifts, Gift Cards, and Gift Certificates for more information.

Volunteer Appreciation

A simple and appropriate way to thank volunteers for their time and effort supporting the PTA is to plan and budget for a volunteer appreciation event near the end of the school year. Invite all volunteers who helped with PTA activities and programs during the year. The PTA may present each volunteer with a certificate of recognition. If the PTA wishes to reward volunteers with personal gifts, the association may vote to do so and seek out donations to cover those items. Alternatively, officers or other members may make donations to pay for such items.

Personal gifts or gifts for individuals, such as PTA members or school staff, cannot be purchased with PTA funds.

PTA and Education Foundations

An education foundation is an organization that administers funds to finance projects benefiting educational purposes. PTA may collaborate with an educational foundation on a specific program or project but must ensure that the education foundation's goals and objectives are consistent with those of PTA.

California State PTA believes all members of the public, through their taxes, are responsible for adequately financing public education.

PTAs often are asked to contribute funds to a local education foundation. When a foundation plans a project outside of a school district budget, a PTA can contribute funds. The PTA must have this item in its budget and approved by its membership. When the contribution is made to the foundation, the PTA also should send a letter saying these funds are to be used at the contributing school. Education foundation funds should not be funneled through a PTA treasury.

If the foundation is going to raise funds only for the project and pass them on to the school district, then the PTA should contribute directly to the school district. The

item should be in the PTA's budget, approved by its membership, and when presented to the school district, PTA should send a letter saying the funds are to be used at the contributing school.

The PTA Financial Review

A financial review is a formal examination of the financial books and records of the financial officers of the PTA. It serves to certify that receipts and expenditures, as authorized in the minutes, are in conformity with bylaws, standing rules, and budget limitations. The PTA financial review serves as an official examination of the financial records conducted by the financial reviewer, appointed financial review committee, or paid professional auditor at the times specified in the bylaws and when there is a change in financial officers.

Financial Review Schedule

All unit, council and district PTAs must conduct a financial review annually at the end of the fiscal year, upon resignation of the treasurer, financial secretary, any check signer, or at any time deemed necessary by the executive board. Best practice is to conduct semiannual financial reviews at mid-year and year-end.

At the beginning of the year, the treasurer should organize the association financial documents in a manner which can easily be reviewed. The financial reviewer should meet with the financial officers and explain what is required to conduct a financial review

Purpose of a Financial Review

A financial review determines the accuracy of the books, detects inconsistencies or errors, provides recommendations for corrective action, protects the financial officers, verifies that funds were sent through channels as appropriate, and assures the membership that the association's resources were managed in a businesslike manner within the regulations established for their use.

The person conducting the financial review should always be impartial and not related by blood or marriage nor reside in the same household as the president or other financial officers or any chairs handling funds.

The financial reviewer is often a member of the budget, programs, or fundraising committees, but is never authorized to sign the PTA's checks.

The financial reviewer may be an elected officer, appointed individual or committee, or a professional hired by the PTA in accordance with the procedures listed in the bylaws. The president, treasurer, financial secretary, secretary, or committee chairs handling funds may not review the finances.

The president may be a part of a financial review committee, if necessary, as long as the majority of the committee are non-check-signers.

Preparation for a Financial Review

Collect all financial books, records and reports from the treasurer, including:

- A copy of the last financial review report;
- Current bylaws and standing rules;
- Originals of checkbook register, whether handwritten or computer generated, and canceled checks (including voided checks);
- Originals of bank statements, bank book for each bank or savings account;
- Deposits and supporting documents for the cash receipts;
- Authorizations for payment with attached receipts;
- Itemized statements and receipts of bills paid;
- Monthly Treasurer's Reports;
- Original treasurer's books/ledgers including back-up files (external storage device) if books are kept on a computer;
- Financial Report by category for the period of the financial review with or without budget comparison;
- Copies of board, executive committee and association minutes, including an adopted budget, any amendments that were approved during the year, approval of expenditures, and ratification of payments;
- Committee reports from chairs (e.g., fundraising, membership, etc.);
- Any other information requested by the financial reviewer;
- Copy of PTA-required Workers' Compensation Annual Payroll Report form;
- Copies of all required state and federal report forms if PTA hires employee(s);
- Copies of all required federal report forms if PTA hires independent contractor(s);
- Copies of the most recently filed IRS Form 990;
- Copies of the applicable State Form 199 and RRF-1 and CT-TR-1 form if applicable.

Financial Review Procedure and Recommendations

The Financial Review Checklist (Fig. F-5 or Forms Chapter) should be used, and each box marked in the negative should result in a financial review recommendation. Review each account separately. Check off items in red ink as they are reviewed. Do not correct errors. Ask the responsible financial officer to correct errors. After errors have been corrected, and the financial reviewer is satisfied that the financial accounts are correct, the financial reviewer needs to denote the ending date of the financial review. If a manual ledger and check register exists, draw a double line across the

ledger and checkbook register where the financial review concludes and sign and date using red ink, "Reviewed by (name) on (date)." If a computerized accounting program is used, attach a copy of the cash account and the last page of the check register to the financial review report filed with the secretary minutes, sign and date using red ink, "Reviewed by (name) on (date)."

The financial reviewer ensures that the association's financial transactions have been accurately recorded

- Include bank name, bank address, type of account and the account number on each report.
- Start review with records posted after the last financial review. Verify the amount shown on the first bank statement (adjusted for outstanding checks and deposits per the prior financial review) corresponds to the starting balance recorded in the checkbook register, ledger, and treasurer report, and the ending balance of the last financial review.
- Confirm bank statement was reviewed by another non-check signer if the financial reviewer had not been assigned that task.
- Verify there have been no ATM transactions.
- Make sure every check issued for the financial review period is substantiated with an authorization for payment, the reason and budget line item for the disbursement, appropriate payee and a receipt or bill. Each authorization should be signed by the president and the secretary. If the check has cleared the bank verify that there are two signatures and that both were from authorized check signers. Verify authorization/ ratification in the minutes. Note: Checks issued for pass-through funds do not require pre-authorization but should be ratified.
- Check that all bank charges and interest earned are recorded in the checkbook register, ledger and treasurer reports.
- Trace each deposit slip to bank statement and checkbook entries. Verify deposits are properly supported and that a Cash Verification Form (Forms Chapter) or equivalent was used for each deposit. Verify that at least one of the signers of the form was an officer or committee chair. Ensure money was deposited promptly.
- Ensure collection process is in place for returned checks that includes reimbursement of applicable bank charges. A returned check is treated as reverse income and reimbursed bank charges are treated as reverse expenses. Verify returned checks have been properly reported.
- Verify deposits and checks have been properly recorded in the treasurer's reports.
- Verify the deposits and checks have been properly posted to the ledger and check register. Note: Request computer reports that show all the various accounts affected by the transaction.
- Verify that all income and expenditures are allocated into budgeted categories.

- Make certain that council, district, State and National PTA portions of the membership dues have been kept separate from other receipts.
- Make certain that the number of memberships agrees with membership chairs report, and verify that membership monies collected correspond to membership monies forwarded.
- Remember that Totem memberships do not have a corresponding amount forwarded.
- Ensure payment for insurance premiums.
- Make certain the money collected for a specific purpose (special projects, Founders Day, scholarship funds, council dues, etc.) has been so disbursed.
- Check event reports to verify receipts and expenditures have been properly reflected in the financial records.
- If an advance has been given, verify that receipts and/reimbursements have been received and properly recorded. If money was returned, verify it has been redeposited into the PTA account.
- Compare figures on monthly treasurer and financial reports against ledger for accuracy.
- Ensure proper tax returns have been filed.
- Verify that the PTA-required Workers' Compensation Annual Payroll Report form has been filed.
- Verify that all required state and federal report forms have been filed if PTA hires employee(s) or independent contractor(s).

For more information about PTA financial review procedures, refer to Bylaws for Local PTA/PTSA Units, Article VI, Section 8

The financial reviewer should feel free to contact the treasurer if there are questions or issues needing clarification. If an error in recording a transaction is found, the financial reviewer needs to recommend the entry be corrected. Any corrections made as a result of the financial review need to be listed on the next treasurer's report.

The financial reviewer should not be punitive in the report/recommendations. Difference of opinion as to process should not result in a recommendation if the treasurer's records are correct.

Some examples of recommendations are:

- Cash must be counted by two PTA members and each must sign the Cash Verification Form. On xxxx, xxxx, xxxx, and xxxx there was only one signature.
- Authorization for expenditure must be voted on by the executive board or association before checks are issued. Check numbers xxx, xxx, xxx were issued before authorizations were approved.
- Authorization forms must be signed by the secretary and president for check numbers xxxx, xxx and xxxx.

- Check numbers xxx, xxx and xxx were issued more than six months ago. They should be voided, and investigated and reissued if necessary.

If assistance is needed, contact the council or district PTA. At any time during the process, California State PTA also may be contacted for information and assistance.

Financial Review Report

Prepare a Financial Review Report, including recommendations, for each bank account or savings account. The form should list the account bank, branch address and account number. The report is presented as follows:

- Unless mismanagement is uncovered, the financial review and recommendations are presented to the treasurer and president.
- The report(s) and recommendations are then presented to, and the report adopted by, the executive board.
- The report(s) is then presented to the association for adoption. After the financial review report is adopted by the association, the report(s), checklist and recommendations are uploaded to the document retention system in accordance with the bylaws.

When called upon, at the association meeting read only the statement "I/The financial reviewer/financial review committee has/have examined the records of the treasurer (and financial secretary) of _____ PTA and find them

- Correct with no recommendations.
- Correct with the attached recommendations., or
- Substantially correct with recommendations and findings, or
- Partially correct. More adequate accounting procedures need to be followed so that a more thorough financial review report may be given. , or
- Incorrect."

The financial reviewer, or in the case of a financial review committee, each committee member, must sign the report. If there were recommendations, the president should state that the treasurer and executive board is or will be addressing the issues. The financial review report is adopted by the association with the motion, "I move that the financial review report be adopted."

Whenever questions are raised by the membership, the president should appoint a committee to look into the concerns and report back to the association at the next meeting.

The Financial Review Report and Financial Review Checklist are forwarded through channels and uploaded to the Document Management System, per bylaws.

Tax Filing

Tax Requirements

Employer Identification Number (EIN)

PTAs may not use any individual's social security number or the Employer Identification Number (EIN) of another organization. No other organization or entity may use the PTA's EIN.

The EIN is listed in the bylaws as well as on the IRS Form 990. If no number can be found, check with the council and district PTA treasurer or parliamentarian. The district may call the State PTA office to obtain the number or ask for further assistance. California State PTA will contact the IRS to obtain the EIN for new units.

Tax-Exempt Status and Letters of Determination

PTAs in California generally are not required to pay taxes on income earned. California State PTA has secured from the Internal Revenue Service a group (blanket) tax exemption letter under Section 501(c)(3) of the Internal Revenue Code.

The president of the PTA that needs the exemption letters must contact the California State PTA office to request a copy of the PTA's letter of determination. The PTA must be in good standing with the Attorney General to receive the letter.

To retain the tax-exempt status, PTAs must be careful that fundraising does not become a primary focus. An individual unit can have an effect on the entire association. Unit, council and district PTAs do not pay tax on income from activities that are substantially related to the purpose for which the PTA was given exempt status.

Sales Tax

When PTAs sell items but use profits exclusively to support the purpose of the association, they are considered consumers and not retailers of certain items that they sell (California Department of Tax and Fee Administration).

Tax exempt does not mean PTAs do not have to pay sales tax. It means you are not subject to tax on your sources of income such as donations, membership, and sales of merchandise that you have purchased for fundraisers.

Sales tax is paid at the time of purchase by units. Consequently, sellers permits are not required by units to conduct sales of those items. Note carefully that the condition for this exemption requires that the profits from sales must be used exclusively to further the association's purposes.

Vendors do not always charge sales tax to units for items purchased for sale at fundraisers. At times, vendors have stated that units are never charged sales tax, or they have argued that units need a seller's permit, because they are selling merchandise to the consumer.

According to Nonprofit Organizations Publication 18 (available from the California Department of Tax and Fee Administration website at <https://www.cdtfa.ca.gov/formspubs/pub18.pdf>), units

are excluded from collecting and remitting sales taxes for items sold, and have been determined to be consumers of the items purchased. The proceeds from items sold, however, must be used exclusively to further the association's exempt purpose. This means units must pay sales tax to vendors for such items intended for sale when they purchase items from vendors. Units are not considered to be sellers of items as a result of this special exclusion and, therefore, do not have to obtain Sellers's permits or file sales returns.

Units may have to inform vendors of their exclusion status and insist on paying sales tax to the vendors. Units may need to adjust vendor invoices to include sales tax and pay the adjusted amount. Units may have to consider using different vendors if they are unable to obtain cooperation or agreement regarding the payment of sales tax to the vendors.

If a PTA is not sure who is responsible for reporting and paying tax on sales it arranges with a fundraising company, it should call the California Department of Tax and Fee Administration customer service center for assistance at 1-800-400-7115 (CRS:711).

Council and district PTAs do not meet the same criteria as units and, therefore, are required to have sellers permits obtained from the California Department of Tax and Fee Administration if they are engaged in fundraising that involves the sale of tangible items.

Because of the great diversity of fundraising activities by council and district PTAs, consult Nonprofit Organizations Publication 18, available from the California Department of Tax and Fee Administration website at <https://www.cdtfa.ca.gov/formspubs/pub18.pdf> to determine what may and may not be taxable.

Beginning April 1, 2019, out-of-state vendors are required to register with the California Department of Tax and Fee Administration (CDTFA), collect the California use tax and pay the tax to the CDTFA based on the amount of their sales into California. PTAs should refer out-of-state vendors to the CDTFA online guide at <https://www.cdtfa.ca.gov/industry/wayfair.htm>.

Federal Taxes

Although PTA is an organization that operates in the public trust, it must comply with all tax requirements as prescribed by law for its nonprofit status. As a result, PTAs are required to file federal tax returns depending on their gross receipts (see below).

US nonprofit tax laws require PTAs with gross receipts normally less than or equal to \$50,000 to file a 990N e-Postcard information report annually with the IRS.

PTAs with annual gross receipts normally more than \$50,000 and less than \$200,000 and total assets less than \$500,000 must file Form 990EZ.

PTAs with annual gross receipts of \$200,000 or more, or total assets of \$500,000 or more, must file Form 990.

Both the Form 990 and 990EZ have supplemental schedules that need to be filed. If the association fails to file the appropriate schedules, the IRS will not consider

the return filed. Currently the penalty is \$20 per day for late/missed filings.

The IRS forms dated the year the PTA fiscal year begins are the correct forms to use. For example, if the current fiscal year begins July 1, 2019 and ends June 30, 2020, forms for the year 2019 should be used.

It is recommended that PTAs seek the advice of a tax professional who is knowledgeable about nonprofit 501(c)(3) returns as needed. This is a legitimate PTA expense.

State Taxes and Government Forms

PTAs must adhere to state filing requirements.

Regardless of their asset or revenue levels, all PTAs are required to file the *Registration Renewal Fee Report (RRF-1)* annually with the California Attorney General's Registry of Charities and Fundraisers.

The state charity registration number (CT#) is assigned after an organization is registered. The organization must submit the CT-1 Initial Registration Form and the other documents/supporting materials listed on the form. After the organization is registered, the CT# is assigned by the Attorney General's office. An RRF-1 cannot be processed until an organization is registered and the CT# has been assigned.

The RRF-1 can be submitted after the organization receives the letter confirming registration which will include the CT#.

- All nonprofits in California who file a 990N e-Postcard form with the IRS are required to complete and submit a CT-TR-1 Treasurer's Report with their annual RRF-1 form.
- PTAs who file an IRS 990 or 990EZ will submit a copy of that filing with their annual RRF-1 form instead of the CT-TR-1.

Every PTA must file a Form 199 or 199N annually with the Franchise Tax Board (FTB).

- PTAs with annual gross receipts normally more than \$50,000 are required to file Form 199.
- PTAs with annual gross receipts normally equal to or less than \$50,000 are required to file Form 199N (electronic form) annually with the FTB.

Forms and instructions are available on the Attorney General's website <http://oag.ca.gov/charities>.

PTAs having unrelated business income of \$1,000 or more are required to file Form 109 with the Franchise Tax Board.

PTAs that are incorporated must file a Statement of Information – Nonprofit (Form SI-100) with the California Secretary of State every other year. A filing fee is required.

Visit the California State PTA Tax Filing Support Center for links to tax filing forms and additional information at capta.org/pta-leaders/services/tax-filing-support-center/.

Gross receipts are the total amount the organization received from all sources during its annual tax year (including short years), without subtracting any costs or expenses. Gross receipts do not include funds not belonging to the unit (Funds Not Belonging to the Unit).

An organization's gross receipts are considered normally to be \$50,000 or less if the organization is:

1. Up to a year old and has received, or donors have pledged to give, \$75,000 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$60,000 or less in gross receipts during each of its first 2 tax years; or
3. Three years old or more and averaged \$50,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

Always keep a copy of the signed tax forms for unit records and note the date that the forms were mailed or submitted.

Always upload copies of all tax returns, including the RRF-1, the CT-TR-1 (if required to file) and the SI-100 (if required to file) to the document retention system.

Visit the California State PTA Tax Filing Support Center for links to tax filing forms and additional information at <https://capta.org/pta-leaders/services/tax-filing-support-center/>.

All federal tax forms may be downloaded from www.irs.gov

State tax forms may be downloaded from www.ftb.ca.gov

Forms RRF-1 and CT-TR-1 may be downloaded from www.oag.ca.gov/charities

Go to www.guidestar.org or projects.propublica.org/nonprofits to find copies of previously filed tax forms.

Unrelated Business Income Tax

PTAs may be required to pay tax on other types of income, referred to as unrelated business income. Unit, council and district PTAs with annual gross receipts associated with unrelated business income of \$1,000 or more must file IRS Form 990-T, Franchise Tax Board Form 109, and report the income when filing IRS Form 990/990EZ.

Meet any of these conditions to avoid Unrelated Business Income Taxation (UBIT):

- 1 Sell donated merchandise.
- 2 Use substantially all donated help.
- 3 Make sure the activity is not a "regularly carried on trade or business."
- 4 Make sure it furthers the PTA's exempt purpose.

Gross Receipts

unrelated business income: Income derived from activities not directly related to the purpose or function of the PTA.

Filing Due Dates

California State PTA provides general information about tax filing requirements, including due dates, but will not provide legal or tax advice to PTAs concerning the completion of tax returns. Council and district PTAs shall not provide legal or tax advice to constituent PTAs concerning the completion of tax returns. For PTAs that require assistance, it is recommended that an accountant or tax professional specializing in nonprofit 501(c)(3) organizations be consulted regarding all tax filings. This is a legitimate PTA expense.

The due date for tax filing is the 15th day of the fifth month after the end of the association's fiscal year. If the fiscal year is July 1 through June 30, tax returns must be postmarked no later than November 15. If an extension is required, instructions regarding extensions of time to file are included in the filing instructions for each form.

fiscal year: The date set at the time an association is chartered to annually open and close its financial books and records.

Officer Responsibilities for Filing

Although the treasurer is responsible for filing all required tax forms or making arrangements for the filings to be completed by a professional, it is the executive board's responsibility to ensure that all forms are filed by the due date. The financial reviewer shall verify that all required tax forms have been filed and copies are kept in the treasurer's records.

Pursuant to IRS rules, every board member is responsible for completing the Conflict of Interest/Whistleblower Annual Questionnaire each year. The treasurer or secretary must retain the signed Conflict of Interest Form/Conflict of Interest/Whistleblower Form for a minimum of 3 years.

Consider hiring an outside professional well-versed in nonprofit tax requirements to complete the PTA tax forms. Tax filings are complex even for many professionals. No volunteer should feel stressed doing them or embarrassed not to do them. The objective is to have them done properly and on time.

Always keep a copy of signed tax forms for the PTA's records and note the date that the forms were mailed or submitted.

When a PTA is disbanded, federal and state regulations require that final tax filings be filed by the 15th day of the fifth month after the change in status. The district PTA is responsible for ensuring all final tax filings are completed and for dissolving the disbanded PTA with the Attorney General's Registry of Charitable and Fundraisers.

Do not forget to sign, date and mail the tax return if it is not filed electronically. Tax forms may be signed by any elected officer.

Internal Revenue Service (IRS) Audit

The IRS examines the records of PTAs on a random sampling basis. The notification of an IRS audit of the PTA records will include a list of items that must be made available. If a PTA letter of determination is required, the state office will furnish a copy upon request.

Do not make any implicit, explicit, oral or written statements or accusations.

A notification of intention to audit from the IRS should not be cause for panic. All PTA financial records should be kept up-to-date so that an audit can be conducted without a problem. If contacted for an IRS audit, notify the district and California State PTA treasurers. After the audit is completed, provide the district and California State PTA treasurers with the results.

PTA as an Employer

When considering a project requiring paid personnel, carefully review the following information before making a decision. Becoming an employer is a major, ongoing commitment for a PTA and therefore is discouraged. Each PTA project is unique and the applicable state and federal regulations change periodically. The PTA may not hire a voting member of its board as an employee or independent contractor. This is considered a conflict of interest. (See Conflict of Interest Policy, Running Your PTA, and California State PTA Bylaws Article IV, Section 6.)

Employee versus Independent Contractor

It is preferable to gift the funds to the school district directly for the services required, since the school district has experience and expertise as an employer (Fiduciary Agreements and Gifts to Schools). A financial gift must not be viewed as an ongoing commitment, since each PTA association must adopt the annual budget. To determine whether a person should be considered an employee or an independent contractor, the IRS has rules that help determine how to classify the people the PTA hires. This affects how much the PTA pays in taxes, whether the PTA needs to withhold from workers' paychecks, and what tax documents the PTA needs to file.

An individual's desire to be one or the other is not a deciding factor. Serious consequences can occur if a person who is actually an employee is paid as an independent contractor. The unit can be held liable for the individual's taxes that should have been withheld, as well as any applicable penalties. An employer must generally withhold income taxes, withhold and pay Social Security and Medicare taxes, and pay

unemployment taxes on wages paid to an employee. However, an employer generally does not have to withhold or pay any taxes on payments made to independent contractors.

Here are seven things every PTA should know about hiring people as independent contractors versus hiring them as employees.

The IRS uses three characteristics to determine the relationship between an employer and worker:

- Behavioral Control covers facts that show whether the PTA has a right to direct or control how the work is done through instructions, training or other means.
- Financial Control covers facts that show whether the PTA has a right to direct or control the financial and business aspects of the worker's job.
- Type of Relationship factor relates to how the worker and the PTA perceive their relationship.

If the PTA has the right to control or direct not only what is to be done, but also how it is to be done, then the worker is most likely an employee.

If the PTA can direct or control only the result of the work done – and not the means and methods of accomplishing the result – then the worker is probably an independent contractor.

An employer who misclassifies a worker as independent contractor can end up with substantial tax bills.

Additionally, the employer can face penalties for failing to pay employment taxes and for failing to file required tax forms.

Both employer and worker can ask the IRS to make a determination on whether a specific individual is an independent contractor or an employee by filing a Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with the IRS.

Approving Projects That Require Employees

The proposed project must be approved by members at an association meeting. Record the vote in the association minutes. Ongoing projects must be approved every year. Approval must include authorization for the fundraising activities by which the project will be supported. If the project will make use of school facilities, the school principal, the school district superintendent, and the school board must approve it. The respective dates of such approval must be recorded in the minutes of the PTA association with letters of approval attached to those minutes. See the Insurance Guide for program criteria.

Planning

Determine whether the project will involve people hired as employees of the PTA or as independent contractors of the PTA. This status will govern how the project is managed and how money is controlled.

The reporting requirements of the federal and state government vary, depending on whether the PTA employs persons as employees or independent contractors. These requirements must be fulfilled, and it is important for the PTA to be sure that it has the means to do so.

Information regarding PTA policies and procedures must be reviewed before embarking on any program or project, especially those where the PTA employs personnel.

Hiring Requirements

Every employee is required to complete IRS Form W-4 and Form I-9, Employment Eligibility Verification, which may be obtained from the U.S. Department of Justice Immigration and Naturalization Services.

All personnel who work on a school campus, regardless of whether they are hired as an employee or an independent contractor, must be finger-printed and must undergo a background check. All personnel employed by the PTA must meet school district health screening requirements. All personnel employed by the PTA must comply with school district procedures for detecting and reporting suspected child abuse, as required by state law.

If an employee is under the age of 18, he/she must have a Work Permit from his/her local school district.

Comprehensive General Liability Insurance for Independent Contractors

Independent contractors must provide current certificates of insurance, which the PTA must retain in its files. Directors, teachers, or instructors hired as independent contractors must carry their own general liability insurance and Workers' Compensation Insurance.

Workers' Compensation Insurance

California law mandates that every employer shall establish, implement, and maintain an effective Injury and Illness Prevention Program. Any PTA that pays wages directly to an individual and reports said employment on the Workers' Compensation Annual Payroll Report (Fig. F-10 or Forms Chapter) must comply with this mandate.

Those unit, council, and district PTAs maintaining an office or employees performing at a regular place of business must post an Employee Acknowledgment Form to meet this requirement. The material must be kept current and filed as a part of the permanent record of the association. Each employee must read and sign the Employee Acknowledgment Form in duplicate. The original must be kept as a permanent record, and the copy must be sent to the California State PTA office.

For questions about **Workers' Compensation** coverage for employees, contact the PTA insurance broker for further details.

It is critical that, before planning any PTA activities, the *Insurance Guide* be consulted.

For information on Risk Management, visit www.nonprofitrisk.org for the Non-Profit Risk Management Center.

not only reduces the cost to support programs, it offers an additional layer of protection against potential liability and removes the PTA's responsibility for filing government-required employee reporting forms and payroll withholding. If the school district pays the individual with monies gifted from a PTA, the PTA does NOT have to report this activity on the Workers' Compensation Annual Payroll Report.

For more information on Workers' Compensation Insurance, please review the *Insurance Guide*.

In Case of Employee Injury

When an employee sustains an injury on the job that requires medical attention, inform the district PTA and call the California State PTA office at 916.440.1985 to secure an Employer's Report of Occupational Injury or Illness.

The completed report must be returned within 24 hours for processing and referral to the insurance carrier. By law, injuries requiring medical attention must be reported within five working days.

The employee also must be given an Employee's Claim for Workers' Compensation Benefits to complete within one working day of the employer's knowledge of the injury. If the injury does not require medical attention, complete the form and keep it on file, should the employee seek medical attention at a later date.

Workers' Compensation Annual Payroll Report

All PTAs must pay the base Workers' Compensation premium, which is part of the California State PTA Insurance Program, whether or not they hire employees.

Each PTA must file a Workers' Compensation Annual Payroll Report no later than January 31 of each year. This report will cover the period of January 5 through January 4 of the preceding year. If no one was hired, complete all the information requested and check the box marked "No one paid," sign, and submit through the Workers' Compensation online portal.

Any payee paid directly by PTA must be listed by name of individual worker, type of work performed, dates worked, amount paid, and whether this person has his/her own Workers' Compensation insurance on the Workers' Compensation Annual Payroll Report in the Workers' Compensation online portal. If the PTA does not pay the worker directly but donates the money to the school, do not list the worker.

If total payments (gross) for ALL payees are more than \$1,000, a PTA will incur an additional premium.

For example: \$2,500 total (gross) payments, less \$1,000 = $\$1,500 \times 5\% = \75 premium for this PTA. \$200 (Base Premium) + \$75 (5% surcharge) = \$275 (Total Premium).

PTAs can avoid paying this additional premium by not hiring or making payments to payees who do not have independent Workers' Compensation insurance. If the PTA membership votes to support a program that requires payments to individuals in any capacity, ask your school district to employ and pay that person, and gift the funds to the school district for the expense. This

Employer Tax and Withholding Requirements

If an employer-employee relationship exists, the PTA, as employer, must comply with the following:

FICA: The PTA must withhold from each employee's wages the proper Social Security and Medicare amounts, paying to the federal government that sum on behalf of each employee. As employer, PTA is required to pay a matching sum as well. The amounts that an employer must withhold from each employee and contribute are listed in the IRS Publication 15, Circular E, Employer's Tax Guide.

Federal and State Income Tax: The PTA must administer, collect, account for, and pay to the federal and state governments specified amounts of taxes that must be withheld from each employee's wages. This process requires PTA to obtain W-4 statements from each employee. (Federal Tax withholding schedules: IRS Publication 15. State Tax withholding schedules: Circular E, Employer's Tax Guide, and California Employer's Tax Guide are available from the California Employment Development Department.)

SDI (State Disability Insurance): The PTA must withhold and pay state disability insurance, including California paid Family Leave Program withholding. Rates are found in the California Employer's Tax Guide.

SUI (State Unemployment Insurance) and ETT (Employment Training Tax): The PTA must pay state unemployment insurance and employment training tax. Rates are found in the California Employer's Tax Guide.

Semiweekly, monthly, or quarterly payment of withholding to the IRS and California Employment Development Department (EDD) are required. For further information, consult IRS Publication 15, Circular E, Employer's Tax Guide, Publication 509, Tax Calendars and the California Employer's Tax Guide, Employer's Guide to Unemployment Insurance Code of California, available from the California EDD.

Form W-2: This form must be completed by the employer and issued annually to every employee before January 31. The Form W-2 may be downloaded from www.irs.gov. Each employee should complete a Request for Taxpayer Identification Number Form W-9.

Filing Requirements for Employers

If the PTA is an employer, it must follow rules set up by the IRS, Social Security Administration, and the California Employment Development Department (EDD).

Employers must:

- Make timely payroll withholding deposits;
- Make quarterly federal and state payroll withholding reports within one month of the close of each payroll quarter, using IRS Form 941 and State Form DE-6;
- Issue IRS Form 1099-NEC to all independent contractors by January 31, if the PTA pays \$600 or more during the calendar year to any unincorporated business or person for services rendered or in payment for a grant, award, or scholarship; Form 1099-NEC is not required to be issued to corporations or to those paid less than \$600;
- Issue IRS Form W-2 to payroll employees by January 31 for the previous calendar year;
- Report IRS Form 1099 and Form W-2 information to federal and state agencies as well as the Social Security Administration by February 28 for the previous calendar year, using IRS Form 1096 (Annual Summary and Transmittal of US Information Returns); and
- Report individuals who are independent contractors to the California EDD on State Form DE 542, Report of Independent Contractor(s) within 20 days of making payments of or entering into a contract for \$600 or more within any calendar year.

Penalties

Failure by an employer to pay taxes due or to withhold required amounts from an employee's wages can result in substantial penalties to the employer. Refer to the current IRS Publication 15, Circular E, Employer's Tax Guide and the current California Employer's Tax Guide for detailed information regarding penalties.

Penalties may apply if the PTA:

- Does not make required deposits on time;
- Does not make deposits at an authorized financial institution; or
- Pays with the return (amounts that may be paid with a return are limited).

Penalties may apply for each whole or part month if IRS Form 941, Employer's Quarterly Federal Tax Return is not filed when required, disregarding any extensions of the filing due date.

The PTA may make advance Earned Income Credit (EIC) payments to employees that submit IRS Form W-5. If the PTA does not do this, it is subject to a penalty equal to the amount of the advance EIC payments not made.

A penalty may be imposed if the PTA fails to file (on paper or on electronic media) an Information Return (IRS Forms W-2 and 1099-MISC) or files with incorrect information. A PTA that fails to withhold or pay over any tax withheld is guilty of a misdemeanor and the

responsible party or parties may be imprisoned and/or fined.

Filing Requirements for Independent Contractors

Any independent contractor or vendor who is not incorporated (or treated as a corporation for tax purposes) and who is paid \$600 or more for services in a calendar year must be issued a IRS Form 1099 NEC by January 31. Any independent contractor or vendor who was paid less than \$600 for services and requests a 1099 NEC be issued must be provided one.

Exceptions include:

- Payments made via a credit card or financial payment processor (such as PayPal) do not require a 1099 NEC as the payment processor will issue a 1099K.
- Payments made via a financial payment processor (such as PayPal) do not require a 1099 NEC as the payment processor will issue a 1099K.
- Payments to other tax-exempt organizations do not require a 1099 NEC.

PTA must report individuals who are independent contractors to the California EDD on Form DE 542, Report of Independent Contractor(s), within 20 days of making payments of, or entering into a contract for \$600, or more within any calendar year.

The EDD may assess a penalty for each failure to comply with the required time frames. A penalty per instance may also be assessed for failure to report independent contractor information. To obtain Form DE 542 visit EDD website at www.edd.ca.gov.

Insurance

Insurance Claims

Please see the current *Insurance Guide* for information regarding insurance claims.

Mismanagement of Funds/Embezzlement

Mismanagement of funds refers to the potential loss or misuse of PTA funds and raises questions about the integrity of the individual(s) in charge of the PTA funds. PTA funds are protected by following correct financial procedures. Each member of the PTA executive board has a fiduciary responsibility (required by the IRS of all nonprofits) to safeguard the association's assets and potentially clear the individuals who may be involved.

There are several signs of possible mismanagement: lack of receipts and/or treasurer's reports; payments made in cash rather than by check; missed meetings by financial officers; and unanswered phone calls or mail. However, these are merely signs, not proof of wrongdoing, so be discreet. Do not make any implicit, explicit, oral or written statements or accusations. Such actions could result in a lawsuit for libel or slander.

Notify the district PTA president or California State PTA vice president for leadership services and/or state treasurer. With guidance from one or more of these PTA leaders review the information, and determine the appropriate course of action. Specific PTA procedures are outlined in the California State PTA Council and District Leaders Gude, which is available to council and district PTAs.

Possible mismanagement/embezzlement of PTA funds is a PTA responsibility and therefore, PTA policies and procedures must be followed. The principal or other school district personnel shall not determine or take any other course of action for the PTA.

Do not make a direct accusation. Do not accept any offer of direct repayment from an individual, unless payment of the full financially reviewed amount is to be made with cash, certified check or money order. It is important to report the loss to the district PTA and insurance broker right away.

Embezzlement, the stealing of money entrusted into one's care by means of fraud for one's own use, is considered to be the same as theft under the law. Theft in any form is a violation of the law and should be handled as a serious offense. If money is stolen from an individual's car or property, a police report should be filed immediately and contact made with the individual's insurance company to determine coverage.

beginning of the next PTA fiscal year, prior to the onset of fundraising activities.

- **Certificate of Insurance** – A document issued by the insurance broker certifying that an insurance policy covering general liability is in force. A Certificate of Insurance is emailed to all unit, council, and district PTAs in good standing. A copy may be obtained by contacting the California State PTA insurance broker.
- **Channels** – The formal communication route through the association to ensure that each level within the association is informed. In PTA, the channel is from the unit to the council (if in council) or from the unit to the district PTA (when there is no council), from the council to the district PTA, and from the district PTA to California State PTA.
- **Commingled Funds** – Funds from two organizations deposited together. Because a unit is a 501(c)(3) nonprofit association, it must comply with all Internal Revenue Service (IRS) requirements, regulations and laws. The IRS considers all funds in PTA accounts to belong to the association regardless of source. A PTA must handle only those funds over which it has full control and the total amount must be declared as gross income to the PTA. All funds in the PTA account must have association approval for disbursement.
- **Contract** – A legally enforceable agreement between two or more persons or organizations. Contracts must be approved by the PTA membership before being signed by two elected officers, one of whom must be the president.
- **Contributions** – Donations of money, property, or services received by the PTA from individuals or businesses. PTAs must follow Internal Revenue Service guidelines for receipts for contributions.
- **Embezzlement** – Stealing of money entrusted into one's care by means of fraud for one's own use.
- **Facilities Use Permit** – A permit required by most school districts that when approved authorizes the PTA to use school site facilities.
- **Fiscal Year** – The financial accounting period established by the PTA, and identified in the Bylaws for Local PTA/PTSA Units, Article XIV, Section 1, as a time for the association to close its financial books and records for the past 12-month period. The IRS is notified of the fiscal year at the time of organization when IRS Form SS-4 is submitted.
- **Founders Day Freewill Offering** – A freewill offering commemorating the founders of PTA. Contributions are forwarded through channels to California State PTA and set aside in a special fund for leadership services. The contributions are considered as "funds not belonging to the unit, council, or district" and are not included as income in the budget.
- **Gifts to Individuals** – A personal gift to a PTA member or school staff. Gifts to individuals cannot be paid for with PTA funds. Personal gifts include gift cards, gifts for baby showers, secretary's day, bereavements, weddings, or birthdays. If the unit wishes to recognize an individual, donations must be

Glossary

This section defines or explains terms that financial officers and chairs may encounter in their PTA work.

- **Approval by Membership** – The requirement that all expenditures, programs and projects, including those specified in the budget, must obtain approval and/or ratification by the membership. All approval of expenditures, programs and projects MUST be recorded in the minutes.
- **Authorization for Payment** – An authorization for payment documents approval to pay bills for services or supplies, or reimbursement to a member for expenses. After approval by the association, the completed authorization for payment permits the treasurer to write checks. All bills, receipts and invoices should be attached to authorization.
- **Bylaws** – Specific rules of operation for the orderly conduct of business adopted by vote of the members. All PTA bylaws have certain specified, starred sections in common which cannot be changed. Any change in bylaws requires approval of the state parliamentarian, a 30-day prior notice and a two-thirds vote of the membership.
- **Cash Verification Form** – A form to document receipt of coins, currency and checks from membership, fundraisers, and donations, which protects and safeguards volunteers' handling of PTA funds.
- **Carry-over Funds** – These funds represent the amount which is set aside to begin operations at the

collected as freewill offerings and the money maintained separately from PTA funds.

- **Gifts to Schools** – Gifts to the school that benefit the largest number of students possible. Be sure to check with the school district before purchasing any materials for the school. Gifts should be in the form of a donation, presented and accepted by the school board at a school board meeting, and recorded in the school board minutes. Always use a fiduciary agreement.
- **Good Standing** – The term applies to units, councils and districts that have met all requirements specified in the bylaws, which includes remittance of insurance premiums and membership per capita to California State PTA by the established due dates.
- **Grants** – A specific set of dollars given by businesses, foundations, and corporations to an organization to perform specific functions. Projects for which PTA is seeking grants must promote the Purposes of the PTA and be relevant to the goals of PTA.
- **Gross Receipts** – The total amount of receipts before any deductions are taken or expenses are paid. For the purpose of completing the IRS Form 990, monies forwarded through channels to the California State PTA office are not considered gross receipts. This includes membership per capita, Founders Day freewill offerings, and insurance premiums.
- **Hold Harmless Agreement** – An agreement in which the signing party assumes responsibility for all acts and all liability for any injuries that occur related to an event. PTA MUST NOT SIGN A HOLD HARMLESS AGREEMENT WITHOUT PERMISSION FROM AIM INSURANCE. California State PTA insurance does not cover vendors, concessionaires, or service providers; these entities must provide Evidence of Insurance to each PTA unless annual Evidence of Insurance has been filed with the California State PTA Insurance Broker.
- **Membership Per Capita** – The amount of money that must be forwarded through channels for each membership received in the unit in order to be considered a unit in good standing by California State PTA.
- **Minutes** – The permanent legal record of all action taken by the association and the executive board. All financial reports become a part of the minutes.
- **Noncommercial Policy** – A policy requiring that the name PTA, a registered service mark, or the names of PTA officers shall not be used in conjunction with the commercial activities of other organizations including, but not limited to, the promotion of their goods and services.
- **Ratification** – The approval by the membership of an action taken by the PTA executive board as specified in Bylaws for Local PTA/PTSA Units, Article VIII, Section 2b.
- **Reconciliation of Funds** – The process of bringing into agreement the bank balance as shown on the bank statement, the checkbook ledger, and the check register. The purpose is to ensure that the bank records and the association's financial records are correct, to identify outstanding checks, and to determine the actual balance against which future checks may be drawn.
- **Reimbursement of Expenses** – Allowable out-of-pocket officers' expenses shown as a line item on the budget adopted by the association are reimbursable. Reimbursement is made upon the submission of an expense statement and/or receipts.
- **Sales Tax** – A tax imposed on the purchase of products. Units are considered consumers by the California State Board of Equalization and they are not required to charge sales tax on merchandise sold. Units do pay sales tax on the price of merchandise purchased for resale or use.
- **Scrip** – A coupon which may be redeemed in lieu of using cash at the store that issued the scrip. Scrip is purchased, usually from grocery stores, in large amounts for a discount off the face value. The PTA sells the scrip at the full value, raising funds for the unit. Many companies now offer electronic e-scrip.
- **Scholarships** – Funds to assist students in furthering their educational objectives. The scholarship program, including the amount and number of scholarships to be awarded, must be approved by the membership.
- **Sponsorship** – Financial support received from a business. The law permits a PTA to receive corporate sponsorship income tax free, if the sponsorship is linked to a specific event and the event is held once per year. The PTA gives the corporate sponsor an acknowledgment of thanks in return for the sponsorship.
- **Unallocated Reserve Funds** – The amount remaining after making allocations for budgeted programs and activities, and may be used to cover any unexpected or unplanned expenses in the current fiscal year. The association must adopt a budget amendment to transfer funds from Unallocated Reserves to a specific budget category prior to disbursing funds.



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BUDGET (Sample)

FISCAL YEAR _____

Name of Unit _____ IRS EI # _____
Council _____ District PTA _____
Bank Name _____ Account # _____
Bank Address _____

BALANCE ON HAND from previous year \$ _____

ESTIMATED RECEIPTS

Interest income	\$ _____
Membership dues (unit portion only)	\$ _____
Donations	\$ _____
Membership dues, Totem (unit portion only)	\$ _____
Donations, Totem	\$ _____
Program Income (list programs individually)	\$ _____
Fundraising Income (list fundraisers individually)	\$ _____
Spirit Wear Sales	\$ _____
TOTAL	\$ _____

RECEIPTS NOT BELONGING TO UNIT

Council, district, State and National PTA membership per capita	\$ _____
Founders Day freewill offering \$ _____	TOTAL \$ _____
TOTAL RECEIPTS	\$ _____

ESTIMATED DISBURSEMENTS

Operating expenses

Membership envelopes	\$ _____
Insurance premium	\$ _____
Newsletter and publicity	\$ _____
Council/district PTA leadership workshops	\$ _____
Convention (State/National PTA)	\$ _____
Officer and chair expense reimbursement	\$ _____
Past President's Pin	\$ _____
Honorary Service Award	\$ _____
State Charity Registration Renewal (RRF-1 filing fee)	\$ _____
Electronic Payment Processing Fees	\$ _____
Totem Donation Processing Fees	\$ _____

Program expenses

Programs and assemblies	\$ _____
Reflections Program	\$ _____
Family Engagement	\$ _____
Emergency preparedness	\$ _____
Hospitality	\$ _____

Fundraising

Carnival	\$ _____
Book fair	\$ _____
Gift wrap	\$ _____

Carry-over to next year

Unallocated reserves

TOTAL \$ _____

DISBURSEMENTS NOT BELONGING TO UNIT

Council, district, State and National PTA membership per capita	\$ _____
Founders Day freewill offering \$ _____	TOTAL \$ _____
TOTAL DISBURSEMENTS	\$ _____
BALANCE ON HAND	\$ _____

Date _____

Treasurer's Signature _____

(Sample only, please customize with the programs and fundraisers specific to your unit.)

Fig. F-1 Budget (Sample)

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TREASURER'S REPORT (Sample)	
PTA	
November 14, 2010 – December 14, 2010	
CHECKING ACCOUNT	
BALANCE ON HAND 11/14/2010	\$ 4,250.00
INCOME	
11/15 DEP: Carnival	\$ 1,450.00
11/17 DEP: Membership dues, unit portion (150 @ \$5)	750.00
11/22 DEP: Book fair	349.50
12/05 DEP: Gift wrap	5,000.00
12/10 NSF check #1113 – Book Fair purchase	(16.50)
TOTAL	7,533.00
	7,533.00
FUNDS NOT BELONGING TO THE UNIT INCOME	
11/17 DEP: Membership, 150 @ \$4.00 (council/district/State/National PTA)	\$600.00
12/10 DEP: Founders Day freewill offering	213.00
TOTAL	813.00
TOTAL INCOME	\$12,596.00
EXPENSES	
Ck # 3150 AIM Insurance, insurance premium	\$ 195.00
Ck # 3151 Mary Smith, Carnival expenses	55.00
12/10 Bank fee, NSF Ck # 1113	10.00
Ck # 3153 Patty Harper, hospitality	7.49
Ck # 3154 Book Fair Company	120.00
Ck # 3155 VOID	0.00
Ck # 3156 Cajon Council, convention/2 delegates	260.00
Ck # 3157 Susan Bird, office supplies	15.29
Ck # 3158 VOID	0.00
Ck # 3159 Beverly Anderson, postage	3.70
12/13 Transfer to savings	5,000.00
TOTAL	5,666.48
	5,666.48
FUNDS NOT BELONGING TO THE UNIT EXPENSES:	
#3152 Cajon Council, 150 members @ \$4.00 (council/district/State/National PTA)	\$600.00
#3160 Cajon Council, Founders Day Freewill Offering	213.00
	813.00
TOTAL EXPENSES	\$ 6,479.48
BALANCE ON HAND 12/14/2010	\$ 6,116.52
SAVINGS ACCOUNT	
BALANCE ON HAND 11/14/2010	\$ 8,649.55
12/10 DEP: Interest	4.32
12/13 DEP: Transfer from checking	5,000.00
Withdrawals	0.00
BALANCE ON HAND 12/14/2010	\$ 13,653.87
Signature _____	Date _____

Fig. F-2 Treasurer's Report (Sample)

PTA <i>every child. one voice.</i>	PTA	
FINANCIAL SECRETARY'S REPORT (SAMPLE)		
November 14, 2010 – December 14, 2010		
A monthly report must reflect the duties of a financial secretary as assigned in the bylaws and should include:		
RECEIPTS (Listing of monies received and given to treasurer to deposit.)		
11/13	Carnival	\$ 1,450.00
11/17	Membership dues (150 @ \$9)	1,350.00
11/21	Book fair	349.50
12/05	Gift wrap	5,000.00
12/10	Founders Day freewill offering	<u>213.00</u>
	TOTAL	\$ 8,362.50
DEPOSITS (Listing of monies deposited — a duplicate copy of deposit slip is given to treasurer.)		
11/14	Carnival	\$ 1,450.00
11/18	Membership dues (150 @ \$9)	1,350.00
11/22	Book fair	349.50
12/06	Gift wrap	5,000.00
12/11	Founders Day freewill offering	<u>213.00</u>
	TOTAL	\$ 8,362.50
_____ Financial Secretary Signature		
_____ Date		

Fig. F-3 Financial Secretary's Report (Sample)



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FINANCIAL REVIEW REPORT

Date _____ Fiscal Year _____

Name of Unit _____ IRS EIN _____

Council _____ District PTA _____

Bank Name _____ Acct Name _____

Bank Address _____ City/Zip _____

Membership Dues Per Bylaws \$ _____

Total Members YTD _____ E-Members YTD _____

Dates covered by this review _____ to _____

Check numbers reviewed in this review _____ to _____

BALANCE ON HAND at date of last review _____ (date) \$ _____

RECEIPTS since last review _____ \$ _____

TOTAL \$ _____

DISBURSEMENTS since last review _____ \$ _____

BALANCE ON HAND as of _____ (date) \$ _____ *

BANK RECONCILIATION

BANK STATEMENT BALANCE as of _____ (date) \$ _____

DEPOSITS not yet credited (add to balance) \$ _____

\$ _____ \$ _____ \$ _____

UNCLEARED CHECKS (List check number and amount)

_____ \$ _____ # _____ \$ _____ # _____ \$ _____
_____ \$ _____ # _____ \$ _____ # _____ \$ _____

TOTAL uncleared checks (subtract from balance) \$ _____

BALANCE in bank account as of _____ (date) \$ _____ *

*These lines must balance

Read the following when the financial reviewer's report is given: I have examined the financial records of the treasurer of

_____ PTA/PTSA and find them:

- correct with no recommendations.
- correct with the attached recommendations.
- substantially correct with the attached recommendations and findings.
- partially correct. More adequate accounting procedures need to be followed so that a more thorough financial review report can be given.
- incorrect.

Attach separate report of explanation and recommendations to executive board.

A separate financial review form must be completed for each bank account.

Date Financial Review Completed _____ Date Reviewed by Committee _____

Date Executive Board Adopted _____ Date Association Adopted _____

Financial Reviewer's Signature _____ Financial Reviewer's Printed Name _____

Financial reviewer is a qualified accountant? Yes No (If Yes, Financial Review Committee is not required.)

Definition of qualified accountant can be found in the Insurance Guide.



Review Committee Signature(s)

(Copies to: unit president, secretary, and treasurer; upload a copy of the report and findings as one file to the document retention system

DESCRIPTION	YES	NO	N/A
Financial Records Provided: List missing records/forms not completed on recommendation report.	<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/> Bylaws & Standing Rules <input type="checkbox"/> Budget(s) <input type="checkbox"/> Last Financial review Report <input type="checkbox"/> Ledger <input type="checkbox"/> Checkbook register <input type="checkbox"/> Cancelled checks (including voids) <input type="checkbox"/> Authorizations for Payment <input type="checkbox"/> Cash Verification Forms <input type="checkbox"/> Bank statements, bank books and deposit slips <input type="checkbox"/> Bank Reconciliations <input type="checkbox"/> Receipts/bills <input type="checkbox"/> Cash receipts <input type="checkbox"/> Executive board minutes <input type="checkbox"/> Association minutes <input type="checkbox"/> Committee reports <input type="checkbox"/> Treasurer Reports (Board & Association) <input type="checkbox"/> Financial Secretary Records <input type="checkbox"/> Annual Financial Report <input type="checkbox"/> Workers' Compensation Annual Payroll Report form <input type="checkbox"/> IRS Forms 990/990EZ/990N <input type="checkbox"/> State Form 199 <input type="checkbox"/> State Form RRF-1 <input type="checkbox"/> State Form TR-1 (if required) As required for PTAs with employees or independent contractors: <input type="checkbox"/> IRS Form 941 <input type="checkbox"/> IRS Form 1099 <input type="checkbox"/> State Form DE-6 <input type="checkbox"/> State Form DE-542 <input type="checkbox"/> Other: _____			
Beginning Balance Records			
1. Check to see if amount shown on first bank statement (adjusted for outstanding checks and deposits) corresponds to the starting balance recorded in checkbook register, ledger, treasurer's report and ending balance of last financial review	<input type="checkbox"/>	<input type="checkbox"/>	
Bank Reconciliation			
1. All bank statements opened, reviewed, signed & dated monthly by non-check signer	<input type="checkbox"/>	<input type="checkbox"/>	
2. All bank statements reconciled by treasurer and reviewed, signed & dated monthly by non-check signer	<input type="checkbox"/>	<input type="checkbox"/>	
3. Ending balances (checkbook register, ledger and treasurer report) agree with last bank statement (adjusted for outstanding checks and deposits not posted to bank statement)	<input type="checkbox"/>	<input type="checkbox"/>	
4. Deposits and Checks Written: (signed by two authorized check signers per the bylaws)			
a) Recorded in checkbook register	<input type="checkbox"/>	<input type="checkbox"/>	
b) Recorded in ledger in proper line items/categories/columns	<input type="checkbox"/>	<input type="checkbox"/>	
c) Agree with treasurer reports	<input type="checkbox"/>	<input type="checkbox"/>	
5. Electronic payments and deposits recorded in checkbook register, ledger and treasurer reports	<input type="checkbox"/>	<input type="checkbox"/>	
6. Bank charges and interest recorded in checkbook register, ledger and treasurer reports	<input type="checkbox"/>	<input type="checkbox"/>	
Membership			
1. Amount recorded and deposited equals total number of memberships received # _____ (members) @ \$ _____ (membership dues listed in bylaws) = \$ _____	<input type="checkbox"/>	<input type="checkbox"/>	
2. Amount forwarded to next level PTA equals total number of memberships received # _____ (members) @ \$ _____ (per capita amount listed in bylaws) = \$ _____	<input type="checkbox"/>	<input type="checkbox"/>	
Insurance – premium(s) forwarded to next level PTA by due date	<input type="checkbox"/>	<input type="checkbox"/>	
Minutes			
1. Original budget and updates/changes approved by association and recorded in minutes	<input type="checkbox"/>	<input type="checkbox"/>	
2. Funds released by association and recorded in minutes as released	<input type="checkbox"/>	<input type="checkbox"/>	
3. All expenditures approved and recorded in executive board minutes (List those expenditures not approved on recommendation report)	<input type="checkbox"/>	<input type="checkbox"/>	
4. All expenditures approved/ratified in association minutes (List those expenditures not approved on recommendation report)	<input type="checkbox"/>	<input type="checkbox"/>	
5. Committee minutes record plans, proposed expenditures, and total of monies earned	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Authorizations for Payment (signed by secretary and president)			
1. All authorizations written for approved amounts (List missing authorizations on recommendation report)	<input type="checkbox"/>	<input type="checkbox"/>	
2. All authorizations have receipt/bill attached (List missing receipts/bills on recommendation report)	<input type="checkbox"/>	<input type="checkbox"/>	
3. Authorizations match checks written	<input type="checkbox"/>	<input type="checkbox"/>	
Income			
1. Deposits properly supported	<input type="checkbox"/>	<input type="checkbox"/>	
2. Cash Verification Forms used with two people counting money and signing	<input type="checkbox"/>	<input type="checkbox"/>	
3. Income received matches deposits recorded in checkbook register, ledger and treasurer reports	<input type="checkbox"/>	<input type="checkbox"/>	
4. Designated income spent as specified	<input type="checkbox"/>	<input type="checkbox"/>	
Financial Secretary Reports			
1. Filed for every association and board meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Receipts/Deposits agree with ledger & register	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Treasurer Reports			
1. Filed for every association and board meeting	<input type="checkbox"/>	<input type="checkbox"/>	
2. Agree with ledger and checkbook register	<input type="checkbox"/>	<input type="checkbox"/>	
3. Annual Financial Report	<input type="checkbox"/>	<input type="checkbox"/>	
Committee Reports			
1. Committee reports for all fundraisers submitted or report in minutes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reporting Forms and Tax Returns			
1. Verify that all forms have been filed annually (if required)	<input type="checkbox"/>	<input type="checkbox"/>	
Financial Review Reports			
1. Financial review done semiannually	<input type="checkbox"/>	<input type="checkbox"/>	
2. Financial review reviewed by review committee or conducted by qualified accountant	<input type="checkbox"/>	<input type="checkbox"/>	
3. Present written report with recommendations to executive board	<input type="checkbox"/>	<input type="checkbox"/>	
4. Present financial review report to association for adoption	<input type="checkbox"/>	<input type="checkbox"/>	
5. Forward report to the next level PTA	<input type="checkbox"/>	<input type="checkbox"/>	
Financial review Recommendations			
All "No" answers should be included in the report as recommendations to change financial procedures. At the completion of the financial review, meet with president and financial officers to discuss recommendations and any corrections as needed. When errors have been corrected by a financial officer and accounts are accurate, draw a double line in red ink where the financial review concludes on			

all records. Sign & date the audited materials.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mismanagement – Is mismanagement suspected? (Contact district PTA president immediately for assistance if yes.)	<input type="checkbox"/>	<input type="checkbox"/>	



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ANNUAL FINANCIAL REPORT (SAMPLE)

FISCAL YEAR _____

Name of Unit _____ IRS EI # _____
Council _____ District PTA _____

BALANCE ON HAND from previous year

\$ _____

RECEIPTS

Administration

Savings account Interest \$ _____
Checking account interest \$ _____
Membership dues (unit portion only) \$ _____
Donations \$ _____
Membership dues, Totem (unit portion only) \$ _____
Donations, Totem \$ _____

Program Income (list total income gross individually)

\$ _____

Fundraising Income (list total gross income individually)

\$ _____

_____ \$ _____

TOTAL \$ _____

RECEIPTS NOT BELONGING TO UNIT

Council, district, state, and National PTA membership per capita \$ _____
Founders Day freewill offering \$ _____

TOTAL \$ _____
TOTAL RECEIPTS \$ _____

DISBURSEMENTS (List Budget Categories)

Operating expenses

Membership envelopes \$ _____
Insurance premium \$ _____
Newsletter and publicity \$ _____
Council/district leadership workshops \$ _____
Convention (State/National PTA) \$ _____
Officer and chair reimbursement \$ _____
Past president's pin \$ _____
Honorary Service Award \$ _____

Program expenses

Programs and assemblies \$ _____
Reflections Art Program \$ _____
Family Engagement \$ _____
Emergency preparedness \$ _____
Hospitality \$ _____

Fundraising

Carnival \$ _____
Book fair \$ _____
Gift wrap \$ _____

TOTAL \$ _____

DISBURSEMENTS NOT BELONGING TO UNIT

Council, district, state, and National PTA membership per capita \$ _____
Founders Day freewill offering \$ _____

TOTAL \$ _____
TOTAL DISBURSEMENTS \$ _____

BALANCE ON HAND

Date _____

Treasurer's Signature _____

(Sample only, please customize with the programs and fundraisers specific to your unit.)



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UNIT REMITTANCE FORM

Units must use this sheet when submitting monies to council.

Date _____

Unit Name _____ State PTA ID Number Unit _____
Address _____ City/Zip _____
Council _____ District PTA _____

Total membership on this report: _____

DESCRIPTION	AMOUNT
Membership dues: # _____ @ \$ _____ (Council, district, State, National PTA portions)	\$ _____
Insurance Premium (through channels to State PTA by 12/20)	
Late Charge Insurance (assessed by State PTA if after 12/20)	
Workers Compensation Surcharge and form (through channels to State PTA by 1/31)	
Founders Day Freewill Offering	
Council Assessments	
District PTA Assessments	
Membership Envelopes	
CHECK #	TOTAL \$ _____

Treasurer _____ Telephone (_____) _____

Address _____

City/Zip _____ Email _____

Make check payable to: _____ Council.

Mail to council treasurer: Name _____

Address _____ City/Zip _____

All checks must have TWO SIGNATURES.

Make a copy for your records.

The following statement must appear on all local remittance statements in order that the National PTA publication, Our Children may qualify for second-class entry mailing:

"A portion of the total sum sent for the National portion of PTA membership dues is payment for one year's subscription to Our Children of the National Congress of Parents and Teachers, which will be sent to the president of each local unit."

Fig. F-7 Unit Remittance Form



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CASH VERIFICATION FORM

(Membership, Fundraisers, Donations)

UNIT NAME _____

ACTIVITY _____ **DATE** _____

COINS

X 1¢ = _____
X 5¢ = _____
X 10¢ = _____
X 25¢ = _____
X 50¢ = _____
X \$1 = _____
TOTAL \$

CHECKS Attach adding machine tape of itemized checks.

CURRENCY

_____ X \$1 = _____
_____ X \$5 = _____
_____ X \$10 = _____
_____ X \$20 = _____
_____ X \$50 = _____
_____ X \$100 = _____
TOTAL \$

Cash Total:

Check Total:

Cash Total:

Check Total:

Grand Total:

Membership Dues

members @ \$ (dues) = \$ + donations = \$ **Grand Total \$**

FOR OFFICIAL USE ONLY

Signature

Signature

Signature _____

Amount Received: \$

Signature

Date

Fig. F-8 Cash Verification Form



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PAYMENT AUTHORIZATION/REQUEST FOR REIMBURSEMENT

ATTACH ALL RECEIPTS TO THIS EXPENSE STATEMENT

Name of Payee _____

PTA Position _____

Address _____

City/Zip _____

Telephone (_____) Email _____

Expenditure was for: _____

List Expenditures: _____ \$ _____
_____ \$ _____
_____ \$ _____
_____ \$ _____
TOTAL EXPENSE \$ _____

Total Amount Claimed From Above \$ _____
Minus Advance Received \$ _____
Reimbursement Claimed \$ _____
Not claimed – donate to PTA \$ _____
Refund to PTA (Enclose Check) \$ _____

Signature _____ Date _____

Signature of VP/chair for Program/Event _____

FOR PTA TREASURER USE:

Membership-approved activity Funds released by membership
 Executive Board-approved expenditure

Check Number	Category	Amount Advanced	Expenses	Amount Owed or Due

President's signature: _____ Date: _____

Date approved in minutes: _____ Secretary's signature: _____

03/2009

Fig. F-9 Payment Authorization/Request for Reimbursement



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**EVERY UNIT, COUNCIL AND DISTRICT PTA
MUST COMPLETE AND RETURN THIS FORM EVEN IF NO ONE WAS PAID**

WORKERS' COMPENSATION ANNUAL PAYROLL REPORT

(Attach insurance premium payment to Report and forward to council/district PTA as directed by their due date.
Payment must be received at State office from district PTA on or before January 31.)

Name of PTA _____ District _____
Address _____ Council _____
City _____ Zip _____

Please note: List only those payees that PTA pays directly for services. DO NOT list payees when monies are donated to a school district to pay workers.

NAME OF PAYEE (INDIVIDUAL OR ORGANIZATION)	TYPE OF WORK BE SPECIFIC	DOES THE PAYEE CARRY THEIR OWN WORKERS' COMPENSATION INSURANCE?		DATES WORKED JAN 5 TO JAN 4.	AMOUNT PAID FOR SERVICES
		YES*	NO		
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
A	Total Payroll for ALL Employees				
B	Less \$1,000				-\$1,000.00
C	Gross Payroll				
D	Premium due for additional Workers' Compensation insurance coverage. 5% of Gross Payroll (Line C)				

*If yes, the payee must provide a Certificate of Insurance from their Workers' Compensation insurance carrier to the PTA. The certificate must list limits in the Workers' Compensation section and be attached to this report form. Please note, General Liability insurance is NOT Workers' Compensation insurance.

This report form must be completed and forwarded through channels to reach the California State PTA office no later than January 31.

- Unit, council and district PTAs are required to file this form, **even if no one was paid**.
- Report ALL payees PTA paid directly for services – attach additional Payroll Report detail pages(s) as necessary.
- Write "NO ONE PAID" across form if no one was paid.
- Signed by treasurer or president.
- Forward through channels (unit to council to district). DO NOT send directly to the California State PTA office.**
- Insurance premium received in California State PTA office after January 31 is subject to a \$25 late fee by State PTA.
- See *California State PTA Toolkit*, "Workers' Compensation Annual Report," for more information.

Date _____ Signed _____
Telephone _____ Position _____

AUTHORIZATION FOR PAYMENT VIA ELECTRONIC SERVICES
(DEBIT/ACH/EFT/BANK BILL PAY)
ATTACH ALL INVOICES AND ORIGINAL SIGNED REQUEST FOR PAYMENT

Date _____

Vendor Name _____

Address _____

City/State/Zip _____

Telephone (_____) _____ Email _____

Budget Account _____

Reason for Payment _____

Payment Account _____

Payment Amount _____

Requested By _____

Authorized By _____ Date _____
 (Authorized Check Signer)

Authorized By _____ Date _____
 (Authorized Check Signer)

*This form must be signed by two authorized check signers before any transfer/transaction may be initiated.
 Signatures by facsimile copy will be accepted.*

FOR PTA TREASURER USE:

<input type="checkbox"/> Membership-approved activity	<input type="checkbox"/> Funds released by membership
<input type="checkbox"/> Executive Board-approved expenditure	

Control Number	Category	Amount	Date Posted

President's signature: _____ Date: _____

Date Approved in minutes: _____ Secretary's signature: _____

07/2022

**PLEASE REMOVE THIS PAGE
AND REPLACE WITH
MEMBERSHIP TAB**



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MEMBERSHIP TAB